

## **DISCLOSURE STATEMENT**

**August 28, 2022**

**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, up to one (1) year and 150 days after the date of this Disclosure Statement. This statement may be delivered until revised, but not after January 25, 2024.**
- **Delivery of this Disclosure Statement to a contracting party before the execution of a contract for the provision of continuing care is required by North Carolina Law.**
- **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. (North Carolina Statutes do not provide for such governmental approval.)**

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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 Section V 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.

### **Mission, Vision, and Value Statements**

#### **Mission Statement**

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.

#### **Vision Statement**

Salemtowne is a retirement community of excellence that fosters independence, security, wellness, and the growth of its residents to their full potential. Salemtowne supports older people and caregivers in the broader community through educational and community activities.

## Values Statement

Salemtowne's primary values are respect, integrity, and caring. These values guide us in our decision making, program development, use of resources, and operations.

We seek to live our values every day by:

- Treating each resident as a valued individual and with dignity, regardless of age or condition.
- Creating a homelike environment which is as non-institutional as possible, and which promotes quality of life, security, and wellness.
- Engaging in continuing education and evaluation to develop associates, improve services, and live up to our mission.
- Striving to be a great place to work which gives associates a sense of achievement and recognition.
- Providing leadership in the field of care for the aging, thus contributing to improve services for seniors in our society.

## Salemtowne: A Quality First Community

Salemtowne was a charter member of the quality initiative launched by Leading Age (formerly American Association of Homes and Services for the Aging) and the American Health Care Association (AHCA) in 2003. Salemtowne signed a covenant pledging to achieve excellence by adhering to the Leading Age "Quality First" 10 Elements of Quality.

### Leading Age "Quality First" 10 Elements of Quality

1. Commitment – Pledging to maintain and promote ethical practices and the highest standards of quality.
2. Governance and Accountability – Achieving and maintaining high standards of management and governance to improve quality consistent with our mission and values.
3. Leading-Edge Care and Services – Implementing models and practices that are based on evidence of success, represent the tradition of personal service and are adaptable to a changing society.
4. Community Involvement – Engaging in community citizenship and service -social accountability, volunteer involvement and relationship building.
5. Continuous Quality Improvement – Using CQI methods to enhance existing programs, improve effectiveness and foster a collaborative work environment.

6. Human Resources Development – Providing training, competitive wages/benefits, and a supportive work environment.
7. Consumer-Friendly Information – Providing accessible and understandable information for older adults, families, and caregivers.
8. Consumer Participation – Engaging residents/clients, family members and consumers in care and services.
9. Research Findings and Education – Using and sharing the latest research findings to improve care and services for older adults.
10. Public Trust and Consumer Confidence – Committing to a policy of outreach, openness and authenticity to increase public understanding of quality aging services and earn the trust of the people we serve and their families – as well as the media, the public and policy makers.

Salemtowne is a member of the national organization for homes and services for the aged: Leading Age; the North Carolina Association – Leading Age North Carolina; North Carolina Health Care Facilities Association (NCHCFA) and the Winston Salem Chamber of Commerce.

### **Board of Trustees and Management Staff**

Salemtowne 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, Salemtowne 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, Salemtowne 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, Development, and Resident Life.

Following is a listing of the members of the Board of Trustees, and Management Staff - Officers of Salemtowne, their addresses and synopses of their relevant backgrounds and experience:

**John Geis.** *Trustee and Chairman. 317 Beechcliff Court, Winston Salem, NC 27104*

John Geis joined Wells Fargo as a Strategic Sourcing Consultant in 2019. Prior to joining Wells Fargo, he held several supply chain management roles at BB&T since 2005. Before working for BB&T, Mr. Geis spent five years as a Senior Strategic Sourcing Consultant for Wachovia Corporation. He also retired from the US Navy as a Commander. Mr. Geis has been a BSA Scout Leader since 2009 with the Old Hickory Council. Mr. Geis has an MBA from Appalachian State University and is a graduate of Virginia Military Institute.

**Martha Shore Edwards** *Trustee and Vice Chairman. 3651 Will Scarlet Road, Winston-Salem, NC 27104*

Marty Edwards has worked as a writer and fundraiser/public relations professional for over 40 years while enjoying raising three daughters with her husband, Palmer. She retired from Wake Forest University in 2014 and began consulting with non-profit organizations. Marty's aunt Mary Louise Shore was a resident at Salemtowne for many years, and this is Marty's second term on the Salemtowne Board. Marty and Palmer co-chaired the Salemtowne Pathways Campaign with her brother and sister-in-law, Ricky and Sally Shore. Marty volunteers with Kid's Cafe and Democracy North Carolina and is a member of the Rotary Club of Winston-Salem.

**Chris Perry.** *Trustee and Treasurer. 830 Oaklawn Avenue, Winston Salem, North Carolina 27101*

Chris Perry left a career on Wall Street moving from Summit NJ to Winston Salem and founding New South Associates NS in early 2004. New South Associates is a consulting company that primarily provides bond-investing advice to corporations and educational institutions. Chris has an undergraduate degree in history from Vanderbilt University and an MBA from Northwestern University (where he majored in finance and accounting). Chris's 25-year Wall Street career included holding positions as Managing Director and Head of E- Commerce at HSBC, USA, and Senior Vice President for Taxed Fixable Income at Prudential Securities in both New York and London. As a consultant, volunteer and an investment banker, Chris has been actively involved in raising money for eleemosynary institutions including his college alma mater, Vanderbilt University, his Church's in Summit NJ and London and his mission work in Africa. Chris has also served on two senior pastor search committees in both London and New Jersey. For the past ten years alongside the bond consulting work Chris's "second act" includes teaching AP Macro-Economics to seniors at FCDS and co-founding a men's Christian group, the Winston Salem chapter of The New Canaan Society. Chris has also been active in mission work especially in Africa, where he sits on the board of Earthwise Ventures, a passenger ferry company operating on Lake Victoria in Kampala, Uganda and the Sure Foundation operating in Malawi.

**Matthew Dolge.** *Trustee. 6345 Armsby Road, Clemmons, NC 27012*

Matthew Dolge is the Executive Director of Piedmont Triad Regional Council since 1995. Prior to 1995, Mr. Dolge was the City Manager of the Town of Tryon. He received a B.S. in Political Science from Appalachian State University. Mr. Dolge has served as the Vice-Chairman of the Directors' Association of the NC Lead Regional Organization, Board

Member of the Southeastern Regional Directors Institute, and Board Member of the National Association of Development Organizations. He has also been involved with the Twin City Kiwanis Club, Spiritual Aims Committee, Southwest Forsyth Little League, Holy Family Church, and Appalachian State Local Government Alumni Association.

**John Ferguson.** *Trustee. 915 Riverbend Drive, Advance, North Carolina 27006*

Mr. Ferguson serves as a County Commissioner in Davie County, North Carolina. Previously he served as the Mayor of the Town of Bermuda Run. Mr. Ferguson is retired from Wachovia Bank where he served as a Senior Vice President and managed Information Processing, Bond operations, Brokerage operations and Trust operations. He is active in the community currently serving on the board of the Hospice Foundation and Clemmons Moravian Church. Mr. Ferguson has also served as a board member of the Davie County Foundation and as the President of Bermuda Run Country Club Board of Governors.

**Kathleen O'Brien** *Trustee. 1371 Union Cross Road Kernersville, NC 27284*

Kathleen O'Brien has over 30 years of experience as a Registered Nurse. She has served as a Staff Registered Nurse ("RN") at Novant Hospital and Baptist Hospital, and spent over 16 years at Wake Forest School of Medicine in various positions including the Head Nurse Research Coordinator and Clinic Nurse for Dept of Cardiology, Section of Electrophysiology, a Nurse Research Coordinator, Department of Neurosurgery, RN Department of Oncology, and RN Instructor. Ms. O'Brien is certified in Hospice and Palliative Care and has served as the Team Manager for Home Care for Hospice and Palliative Care, Director of Nursing Kate B. Reynolds Hospice Home and is currently a Staff Nurse at SECU Hospice Home Mt. Valley Hospice and Palliative Care.

**Betty C. Petree** *Trustee. 2300 Lyndhurst Avenue Winston-Salem, North Carolina 27103*

Betty Petree is the owner and operator of Copper Kettle Anesthesia Service in Winston-Salem, North Carolina and has over 40 years of experience in Anesthetists as a teacher/instructor, researcher and author, a professional speaker and from most recently serving as the Vice President Surgical Services and the Interim Director of Surgical Services at Wake Forest University Baptist Medical Center. Ms. Petree currently is a member of the American Association of Nurse Anesthetists, North Carolina Association of Nurse Anesthetists (NCANA), North Carolina Baptist Hospital School of Anesthesia Alumni Association and Executive Committee, School of Wake Forest Baptist Hospital Anesthesia. She has previously held offices as the Secretary- Treasurer, North Carolina Baptist Hospital School of Anesthesia Alumni Association; the Program Committee Chairman, NCANA; Program Committee, NCANA Vice President, NCBH School of Anesthesia Alumni Association; Nominating Committee, NCANA; Board of Trustees, Salemtowne Retirement Community; Program Committee, NCBH School of Anesthesia Alumni Association; AANA Council on Recertification; Vice- Chairman, AANA Council on Recertification; Chairman, AANA Council on Recertification; and Strategic Planning Committee, NCANA. Ms. Petree has received prestigious awards including National Clinical Practitioners Award, Who's Who in Professional Nursing, Nominee and winner for Best 100 Nurses in North Carolina, Who's



Who Among Human Services Professionals, President's Citation (Employee of the Year), North Carolina Baptist Hospital, Who's Who Among American Women Professionals, Who's Who Among Americans in the Southeast, Who's Who in Medicine and Health Care; Who's Who in the World, and Manchester Who's Who Award. Betty Petree holds a DIP in Nursing from Davis Hospital School of Nursing in Statesville, North Carolina and graduated from the Nurse Anesthesia Program from the North Carolina Baptist Hospital in Winston-Salem, North Carolina.

**The Rt. Rev. Dr. Graham Rights.** *Trustee. 553 Steeple View Court, Winston Salem, North Carolina 27101*

Bishop Rights is an ordained minister and bishop in the Moravian Church. He earned a BA Degree from the University of North Carolina at Chapel Hill, a BD from Yale Divinity School, and did further study at Moravian Theological Seminary and New College, University of Edinburgh, Scotland. Bishop Rights has served congregations in Managua, Nicaragua; and Mayodan, Winston Salem, and Greensboro, NC. He has also served as Executive Director of the Board of World Mission of the Moravian Church in America with office in Bethlehem, PA, and as President of the Provincial Elders' Conference of the Moravian Church, Southern Province, with office in Winston-Salem. In the community he currently serves on the Board of Crisis Control Ministry of Forsyth County. He has previously served on various boards of the Moravian Church and on boards of the Pastoral Care Foundation of NC Baptist Hospital/Wake Forest Baptist Health, Ecumenical Institute of the Carolinas, Wachovia Historical Society, CareNet of the Triad, and Salemtowne.

**Corlis Sellers-Drummond.** *Trustee and Secretary. 4350 Sandalwood Court Winston-Salem, North Carolina 27106*

Corlis Sellers-Drummond was appointed as Special Assistant to the Chancellor at Winston-Salem State University for Strategic Priorities on August 26, 2016. In this role, she supports special projects and initiatives in the Chancellor's Office. Prior to her appointment as Special Assistant, she served as Executive Assistant to the Chancellor since December 2013. Following her retirement as a member of the Senior Executive Service (SES) from the U.S. Department of Labor in 2010, Mrs. Sellers-Drummond was employed by the Roman Catholic Diocese of Camden, N.J. In the Diocese, she served as the Liaison to the Bishop for Black Catholic Ministry Commission. From 1999 to 2010, she served as the Northeast Regional Administrator for the Department of Labor's Wage and Hour Division where she led a staff of over 300 (mostly Wage and Hour investigators) in labor law enforcement efforts in thirteen states in the northeast and Mid-Atlantic and in the territories of Puerto Rico and the U. S. Virgin Islands. Mrs. Sellers-Drummond has over 27 years of senior management experience with the U. S. Department of Labor in areas of labor law compliance, strategic planning, policy development, budget, financial management, and governmental relations. This management experience includes over two years of service as the Executive Assistant and Chief of Staff to a former Assistant Secretary of Labor, as well as an assignment to the White House where she served as the leader of the Defense and Veterans Affairs Team for then Vice President Gore's National Performance Review. In 2004, Mrs. Sellers-Drummond was appointed by then U. S. Labor Secretary Elaine Chao to lead the Fair Pay Enforcement Task Force, which was established to ensure nationwide compliance with the newly revised Fair Labor Standards Act.

collar exemption rules. In 2000, she received a Presidential Rank Award for Meritorious Achievement for her work in combating illegal child labor in the U.S. Mrs. Sellers-Drummond served on the Senior Executive Service Resources Board and the Senior Executive Service Performance Review Board in the U. S. Department of Labor. Corlis obtained a BS, from Hampton University, Secondary Education.

**Patti Stoltz.** *Trustee. 4355 Mashie Drive Pfafftown, North Carolina 27040*

Pattie grew up in Denver, Colorado and then moved with her family to Maryland outside the D.C. area for her high school years. Patti attended Duke University and married her college sweetheart, Jerry D. Stoltz, in 1964. She began her teaching career of 46 years at Durham High School while Jerry finished his football eligibility. The Stoltzes then moved to Winston-Salem where she taught at East Forsyth High School for two years before becoming a stay-at-home mom. In 1975 she began teaching at Forsyth Country Day School, a career that lasted for 43 years; she retired last June. While at Forsyth Country Day School, Pattie held several positions, including English Department Head, Director of Academic Life, College Counselor and Upper School Head for 14 years. Patti also served on several SACS (Southern Association of Colleges and Schools) evaluation teams. Currently she is serving her second term on the Board of Trustees for New Hope United Methodist Church and teaches and adult Sunday School class.

**Elms Allen.** *Trustee. 513 Westover Avenue, Winston-Salem, NC 27104*

Dr. Allen and his wife Harriet have been long-time members of First Pres, and Elms had a long and illustrious career in Winston-Salem as an oncologist, hospital administrator, and development officer with the Novant Heath Center. This is the third time he has come out of retirement, and he feels that God has been calling him to this ministry position for some time. His background as a physician and his gentle and caring spirit along with his deep commitment to Jesus Christ make him uniquely qualified to fill this role on our church staff. And his experience as an elder on Session and teacher in our adult Sunday School program for many years are additional gifts he brings to the position. The Association of Fundraising Professionals (AFP), Triad Chapter recognized Dr. Elms and Mrs. Harriet Allen with the Lifetime Achievement in Philanthropy award in 2016. The couple was honored at the organization's 24<sup>th</sup> National Philanthropy Luncheon, for those who have made significant endeavors with philanthropic giving, volunteer efforts or professional service to the nonprofit field. Dr. and Mrs. Allen have been generous donors to numerous organizations in the area, including the United Way of Forsyth County, Samaritan Ministries, Street School, First Presbyterian Church, the Winston Salem Symphony, and the Novant Health Forsyth Medical Center Foundation.

**Larry Colbourne.** *Trustee. 110 Lonetree Court, Advance, NC 27006*

President, Mebane Charitable Foundation. Before joining Mebane Charitable Foundation, Mr. Colbourne was Vice President of Development for Winston-Salem Industries for the Blind. He had spent 12 years with Wachovia Bank in its Retail Banking and Loan & Credit Marketing Department. He is a member of the Mocksville Rotary, past president of the Winston-Salem Twin City Host Lions Club and past board chair for the Davie Family YMCA.

He is a 2006 graduate of Leadership Winston-Salem. He received a B.A. from Wake Forest University in 1990 and was a three-year letterman on the Demon Deacon baseball team. He lives in Advance, North Carolina with his wife Beverly and has two sons, Darren a grad student at NYU, and his youngest son Craig, a senior at the Poole College of Management at NC State.

**Aimee Smith.** *Trustee. 110 Oakwood Drive, Suite 300, Winston-Salem, NC 27103*

Aimee L. Smith is a partner with the law firm of Craige, Jenkins, Liipfert & Walker LLP in Winston-Salem. She is a graduate of the University of North Carolina – Greensboro (B.A., 1995); and of the Wake Forest University School of Law (J.D., 2002). Ms. Smith was admitted to the North Carolina State Bar in 2002. She focuses her practice on issues related to elder law including, long-term care planning, Medicaid planning, and guardianship. Ms. Smith is a member of the Forsyth County Women Attorneys and North Carolina Bar Associations. She has served her community by serving on the boards of FinancialPathways and the Shepherd's Center of Greater Winston-Salem. She has also been a member of The Women's Fund through the Winston-Salem Foundation.

**R. Patrick Yeatts, MD.** *Trustee. 1750 Meadowbrook Drive, Winston-Salem, NC 27104*

R. Patrick Yeatts, MD was born in Richmond, Virginia and at a young age, moved to Winston-Salem, NC where he spent his formative years. He received his BS degree from Hampden-Sydney College in Virginia and his MD degree from the Wake Forest University School of Medicine. He completed an ophthalmology residency at the Mayo Clinic and a fellowship in ophthalmic plastic and reconstructive surgery at Massachusetts Eye and Ear Infirmary and Harvard University. Following his training, Dr. Yeatts returned to Mayo Clinic as a Consultant in Ophthalmology. After three years in private practice, Dr. Yeatts joined the Department of Ophthalmology at Wake Forest University School of Medicine. He remained in academic practice there from 1987 until his retirement in 2018 as Professor of Ophthalmology with a cross-appointment to the Department of Otolaryngology and Head and Neck Surgery. A Mayo Scholar and Heed Fellow, Dr. Yeatts is a recipient of the Teaching Award given annually by the residents in ophthalmology and the AAO's Achievement Award. He is recognized by Who's Who in American and Best Doctors in America. Dr. Yeatts served as the Director of the Oculoplastics and Orbital Service during his tenure at Wake Forest University School of Medicine and as Vice Chairman of the Department of Ophthalmology from 2004 to 2015. He is a past president of the North Carolina Society of Physicians and Surgeons, an Associate Examiner for the ABO, and member of the editorial board of *Ophthalmic Plastic and Reconstructive Surgery*.

**CarolAnn Adcock.** *Trustee. 112 Breslau Circle, Winston Salem, NC 27106*

CarolAnn Adcock holds BSN and MS degrees. She began her career practicing at the bedside in Pediatrics and later moved to education and research. She has held roles in both nursing administration and hospital administration. For the last 15 years of her career, she served as a consultant focusing on recruitment and retention of employees in settings with a 24/7 work requirement, such as nuclear power plants, the food industry, manufacturing plants and hospitals. She has also served as an executive coach. Prior to moving to Salemtowne, CarolAnn served on the Salemtowne Board of Trustees, and is

now a resident Board Member.

**Russell E. Armistead, MBA.** *Trustee. 104 Hagen Court, Winston Salem, NC 27106*

Russell E. Armistead retired as the Chief Executive Officer of UF Health Jacksonville in December 2017 after 5 years. At retirement, he was appointed to the Honorary Medical Staff of UF Health Jacksonville, the first non-physician ever appointed. Russ has broad experience in academic health center, teaching hospital and medical school administration, finance and operations. Prior to this role he served as the Associate Vice President, University of Florida Health Science Center, Office of Finance and Planning since 2004. In that role he was responsible for the finances of the six health science colleges (i.e., Dentistry, Medicine, Nursing, Pharmacy, Public Health & Health Professions and Veterinary Medicine). Before joining the University of Florida (UF), he was President of his consulting firm where he was instrumental in helping engineer a one-year financial turnaround of a Teaching Hospital in Ohio. He was at Wake Forest University (WFU) for twenty-four years, serving as Vice President for Health Services Administration managing all business operations for the university's medical school for the last fourteen of those years. In addition to having core financial responsibilities, he was responsible for strategic planning, human resources, government relations and contractual relationships between the medical school and its teaching hospital. Prior to his Vice President role, Russ was Director of both the WFU Group Faculty Practice and the Strategic Planning Office. He began his career as a member of the audit staff at Ernst & Young in Winston-Salem, N.C. Russ has a Master of Business Administration (M.B.A.) from Wake Forest University and a Bachelor of Science Degree in Business Administration from Virginia Tech. He was a Certified Public Accountant in North Carolina for over 40 years and in Florida for 7 years. He is a member of the Jacksonville Civic Council, Jacksonville Rotary Club and the non-board member of the Finance & Investment and Audit Committees of the Association of American Medical Colleges (AAMC). He was a member of various Boards, including the University of North Florida Dean's Council, the Safety Net Hospital Alliance of Florida and the United Way of Northeast Florida.

**Timothy F. McMullen.** *Trustee. 1600 Lowery Street, Suite 110, Winston Salem, NC 27110*

Tim McMullen joined Winston-Salem State University (WSSU) in January 2016, as Director of Design & Construction, in the Facilities Planning and Engineering division of Facilities Management. In that role, he was responsible for managing the development and implementation of the University's New Master Plan; administering and maintaining adherence to Campus Design Standards; and directing the Design and Construction (D&C) Department's team of architects, engineers, and project managers in oversight of Capital Projects. Under McMullen's directorship, D&C managed over \$100 million in capital construction projects, renovations and building repairs. Mr. McMullen has been active in North Carolina as an Architect, Planner and Facility Design and Management Professional for over 40 years. He is a Registered Architect (RA) and holds a B.S. degree in Architectural Engineering from North Carolina A & T State University (A&T), Greensboro, NC. During his time at A&T, McMullen served as a Research Intern, testing and evaluating Industrialized Building Systems at the National Institute of Standards and Technology (formerly National Bureau of Standards) in Washington, DC. He also completed the

University Leadership Education and Development Program of the University of North Carolina – Chapel Hill, in 2012. Tim serves as a representative of WSSU on the Board of Directors of the Simon G. Atkins Community Development Corporation.

**Kevin Owen.** *Trustee. 228 Knollwood Street, Winston Salem, NC 27104*

Kevin Owen is the President of Owen Architecture, an architectural firm created in Winston-Salem over 25 years ago. He received his BA in Architecture at the University of North Carolina at Charlotte in 1984 and became a Licensed Architect in North Carolina in 1992. Prior to opening his own firm, he worked in several of North Carolina's larger Architectural firms such as Gantt Huberman Architects in Charlotte and WRCP in Winston-Salem. As the President of Owen Architecture, Kevin specializes in commercial architecture in and around western North Carolina, paying particular attention to rehabilitation, reuse, and repurposing of older buildings. In the past he has served as president and board member of both the American Institute of Architecture in Winston-Salem and the Winston-Salem Little Theatre. He also served nine years on the Crisis Control Ministry Board of Directors. In 2020 he was asked and began another term with them and is serving on their Executive Committee as well as the chair of their Facilities Committee. He rotated off the Forsyth County's Historic Resources Commission after serving for eight years, the last four as it's Chair, at the end of 2021.

**Scott Southerland.** *Trustee. 301 Beechcliff Ct., Winston Salem, NC 27104.*

Scott Southerland is originally from Winston-Salem, NC and is a graduate of NC State University, where he earned Bachelor of Arts degrees in both Economics and Communications. He also received his Masters of Business Administration from Wake Forest University in 1999. He is a lifelong Moravian and grew up at Home Moravian Church.

### **Management Staff - Officers:**

**Mark A. 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 L. 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 Life*

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).

**Joseph Yoon.** *Vice President of Health Care Services.*

Mr. Yoon joined the Corporation in June 2018 having previously served as Director of Health Services for Aldersgate United Methodist Retirement Community, a Life Care Community located in Charlotte, North Carolina. Mr. Yoon is licensed as a Nursing Home Administrator in North Carolina. Mr. Yoon has previously served as an Executive Director, Assistant Administrator, Assisted Living Coordinator, Health Services Associate and a Section 8 Senior Housing Community Manager. Mr. Yoon attained a bachelor's degree in Management of Aging Services from the University of Maryland Baltimore County and an MBA from the University of North Carolina Fayetteville State 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 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 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.

**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) Accommodations
- 100 Health Care Center Living Accommodations (All are Medicare certified, of which 20 are also Medicaid certified.) and 20 Memory Support Accommodations
- 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 Section II., herein, for a detail listing of the various Living Accommodations.

The community also includes reception areas, dining rooms, private dining rooms, coffee shop, 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.

## **Services**

The services and facilities that are provided through the Entrance and Monthly/Daily Fees are described in detail in the Residence and Services Agreements and are summarized below:

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
- Pastoral care
- 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 you 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 Visits
- 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
- 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. Nurses are 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. Salemtowne's staff will respond to emergency calls.

**Emergency Medical Care.** Salemtowne will assist residents in an emergency. When emergency medical care is necessary Salemtowne's staff will summon emergency medical services to assist you and if requested, notify your physician. If acute medical care is necessary, the Resident will be transferred to a local hospital Emergency Room.

**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.

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

**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. Assisted Living, Memory Support Center and 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.

### **Future Expansion Projects**

In 2018 Salemtowne began a master planning process that is considering the construction of a new assisted living building, additional independent living apartments, as well as analyzing the existing Vogler Building, common space, kitchens, dining spaces and other needs on the campus. No final plans have been decided upon and no decision regarding any financing thereof has been made.

## **Fees**

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

**Priority Entry.** Residents are provided priority entry over non-residents for entry to the Health Care Center or Assisted Living Center. The community will make every effort to accommodate residents in the Health Care Center and/or Assisted Living Center but cannot guarantee availability of accommodations. In the event the Health Care Center 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 services similar ("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

endeavor 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 changes in the monthly service fees over time. Note that it is the average dollar amount of the CHANGE in fees from year to year that is shown – NOT the fees themselves. All changes during this period occurred once per year on June 1<sup>st</sup>.

	Independent Living		Assisted Living		Memory Support		Skill Nursing	
Effective Date	% Per Month (Average)	\$ Per Month (Average)	% Per Month (Average)	\$ Per Month (Average)	% Per Month (Average)	\$ Per Month (Average)	% Per Month (Average)	\$ Per Month (Average)
6/1/2018	3.50%	\$ 93	3.50%	\$ 184	0.00%	\$ -	14.70%	\$ 1,369
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

### 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 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, 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 of the persons must be 62 years of age or older. Entry in the Assisted Living Center and the Skilled Nursing Center and the Memory Support Center within 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 Admissions Committee appointed 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 nursing assessments and will notify applicants whether they meet the entry requirements.

**Health Requirements.** Prior to residency at Salemtowne, you shall submit medical records and reports as requested by the Corporation. 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.

**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.** 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, and you or your 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 and the Memory Support Center within the Health Care Center, 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 you at any time prior to taking occupancy at Salemtowne for any reason by giving written notice to the Corporation. The Agreement will automatically be canceled due to death or physical or mental conditions that would make you ineligible for entry to Salemtowne.

The 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.

In the event of such termination (including death, illness, injury, or incapacity), you 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 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 belonging 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.

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 Monthly/Daily storage fee equal to 50% of the Monthly/Daily Fee for the previously occupied Living Accommodation 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 and guidelines may be changed from time to time by 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 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 and the Memory Support Center within the Health Care Center 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 and the Memory Support Center within the Health Care Center or to the Assisted Living Center.

In the event that a Resident is permanently transferred to the Assisted Living Center 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 (married or unmarried) occupy a Living Accommodation under the terms of the Residence and Services Agreement, upon the permanent transfer to the Health Care Center 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, marries a person who is also a Resident, or 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 shall marry a person who is not a Resident of Salemtowne, or 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.

## **Other**

**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**

Guests are welcome at Salemtowne. Guests may use Salemtowne guest accommodations, subject to availability and additional fees. 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). 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.

Management.

## **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. Pets must be approved by Salemtowne prior to bringing the pet on campus. Pets are not allowed in Assisted Living or Health Care Center accommodations. 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 and Health Care Center Living Accommodations. Salemtowne reserves the right to amend or terminate policies and guidelines related to smoking in its discretion.

## **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, 2022)
- summary of calculation of obligation to provide future services (CCRC) as of March 31, 2022
- Financial Projections for the five (5) years following the date of the audited financial statements (for the fiscal years ended March 31, 2023-2027) 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, 2022, the balance of these funds was approximately \$2,850,195. 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, 2022, Salemtowne has restricted \$6,763,000 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 \$919,833 at fiscal year ended March 31, 2022. 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 included herein.

### **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 2022 contained as a part of the Disclosure Statement dated as of August 28, 2021, filed with the North Carolina Department of Insurance and (ii) the actual results of operations for fiscal 2022 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 +/- \$30,000. 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.

Moravian Homes, Inc. d/b/a Salemtowne  
 Balance Sheet Variance Analysis  
 March 31, 2022

	Forecast (000s) 2022	Audit (000s) 2022	Material Differences		Notes
			\$	%	
<b>Assets</b>					
<b>Current Assets</b>					
Cash	\$ 1,114	\$ 1,316	\$ 202	15%	A1
Current portion of assets limited as to use	2,918	3,110	192	6%	A1
Accounts receivable, net of allowance	1,039	1,216	177	15%	B1
Prepaid and other current assets	446	300	(146)	-49%	C1
Other receivables	320	312	(8)	-3%	
Total current assets	5,837	6,254	417	7%	
Assets limited as to use, net of current portion	7,016	5,857	(1,159)	-20%	A1
Restricted statutory operating reserve	6,763	6,763	-	0%	
Total assets limited to use, net of current portion	13,779	12,620	(1,159)	-9%	
Property & equipment, net	98,258	100,240	1,982	2%	
Investments	13,071	12,787	(284)	-2%	
Incremental Cost of acquiring contracts, net	401	196	(205)	-105%	D1
Development Costs - Navigation	91	\$ 90	(1)	-1%	
Assets in split interest agreements	899	\$ 920	21	2%	
Total other assets	1,391	1,206	(185)	-15%	
Total assets	\$ 132,336	\$ 133,107	771	1%	
<b>Liabilities &amp; Net Assets</b>					
<b>Current Liabilities</b>					
Accounts payable	1,114	\$ 1,379	265	19%	E1
Accrued expenses	1,486	1,879	393	21%	F1
Accrued interest payable	2,239	2,178	(61)	-3%	
Refundable Advance Fees	12	285	273	96%	G1
Line of Credit	-	1,100	1,100	100%	H1
Current portion of other debt	45	45	-	0%	
Current portion of bonds payable	1,538	1,530	(8)	-1%	
Total current liabilities	6,434	8,396	1,962	23%	
Bonds payable, excluding current portion	81,590	81,710	120	0%	
Other Debt, excluding current portion	-	1,309	1,309	100%	I1
Deposits	430	488	58	12%	J1
Refundable advance fees	1,823	1,789	(34)	-2%	
Deferred revenue from advance fees	31,382	32,735	1,353	4%	
Total liabilities	121,659	126,427	4,768	4%	
<b>Net assets</b>					
Unrestricted	6,216	2,499	(3,717)	-149%	K1
With Donor Restrictions	4,461	4,181	(280)	-7%	K1
Total net assets	10,677	6,680	(3,997)	-60%	
Total liabilities and net assets	\$ 132,336	\$ 133,107	771	1%	



A1. Cash and Cash Equivalents represents Cash and Assets Whose Use is Limited, consistent with new accounting guidance. Collectively, these decreased \$766 thousand, as represented within the Statement of Cash Flows.

B1. Accounts receivable, net of allowance, had a variance of \$177 thousand or 15%. The allowance for doubtful accounts decreased approximately \$144 thousand during the period, a result of improved collection processes.

C1. Prepaid and other current assets had a variance of (\$146) thousand or 49% due to the timing of payments on various insurance policies.

D1. Incremental costs of acquiring contracts, net, had a variance of (\$205) or 105%, as restated in the audit to reflect accumulated amortization that had previously been included in property and equipment accumulated depreciation.

E1. Accounts payable had a variance of \$265 thousand or 19% related to the timing of the accounts payable cycle.

F1. Accrued expenses had a variance of \$393 thousand or 21%, reflective of increases in accrued paid time off balances for team members, both in hours available and the rate as during the year an un-forecasted increase to minimum hiring rates was done.

G1. 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, 2022.

H1. The Line of Credit varied from the forecast by \$1.1 million, as the forecast did not include utilization of the line during the year. However, the line was utilized during fiscal year 2022 to assist with funding the community benefit obligations of the organization.

I1. Other debt varied from the forecast by \$1.3 million, as the forecast did not anticipate the incurrence of new debt. During the fiscal year, a bridge loan of \$3.5 million was obtained to fund certain project costs related to the expansion of Salemtowne, and the balance as of March 31, 2022, represents draw downs on that loan.

J1. Deposits are \$58 thousand higher than the forecast due to ongoing collections of entrance fees of Independent Living units and vary over time based on timing and availability of units.

K1. See notes on the Statement of Operations for changes to Net Assets.

Moravian Homes, Inc. d/b/a Salemtowne  
Statement of Operations Variance Analysis  
March 31, 2022

	Forecast (000s) 2022	Audit (000s) 2022	Differences		Notes
			\$	%	
Revenues, gains, and other support:					
Net resident services	\$ 28,535	\$ 26,082	\$ (2,453)	-8.6%	A2
Amortization of Advanced Fees	5,662	4,771	(891)	-15.7%	B2
Contributions	248	-	(248)	-100.0%	C2
Net assets released from restrictions used for benevolent assistance	58	943	885	1525.9%	C2
Other income	6	1,004	998	16633.3%	A2
Navigation at Home					
Net resident services	579	563	(16)	-2.8%	
Amortization of Advanced Fees	166	314	148	89.2%	D2
Total revenues, gains, and other support	35,254	33,677	(1,577)	-4.5%	
Expenses:					
Program services - provision for housing and related services:					
Healthcare, assisted living, and clinic	11,074	9,394	(1,680)	-15.2%	E2
Dining services	3,437	4,278	841	24.5%	F2
Housekeeping, grounds and maintenance	4,254	4,771	517	12.2%	G2
Life Enrichment	653	884	231	35.4%	H2
Navigation at Home	256	691	435	169.9%	I2
Depreciation and amortization	5,709	6,125	416	7.3%	J2
Interest	4,185	4,302	117	2.8%	
Loss on sale of equipment	-	121	121	n/a	K2
Administration and general	5,644	5,859	215	3.8%	
Development, community relations and admissions	1,758	2,570	812	46.2%	L2
Total expenses	36,970	38,995	2,025	5.5%	
Other changes in unrestricted net assets:					
Paycheck Protection Program loan forgiveness	2,516	2,513	(3)	-0.1%	
Investment income	670	558	(112)	-16.7%	M2
Increase (decrease) in unrestricted net assets	\$ 1,470	\$ (2,247)	\$ (115)	-7.8%	
Changes in net assets with donor restrictions:					
Contributions	-	554	554		N2
Investment Income	-	89	89		N2
Net Assets Released from Restrictions	-	(943)	(943)		N2
Change in value of split-interest agreements	-	20	20		N2
Increase (decrease) in restricted net assets	\$ -	\$ (280)	\$ (280)		
Change in net assets	1,470	(2,527)	\$ (1,203)	-81.8%	

A2. Net resident services and other income varied from the forecast by a net \$1.5 million. Other income represents mainly dining revenue, which was included in the forecast line Net resident services. A main driver of the variance is due to occupancy within the health care center, as occupancy was forecasted to be 93% while the actual was 84% for the year.

B2. Amortization of Advanced Fees was \$891 thousand or 15.7% below the forecast. Due to strong occupancy within the independent living units, there was lower than expected turnover in units and termination income did not meet expectations.

C2. Contributions and net assets released from restrictions varied from the forecast by a

net \$637. Releases from restriction were impacted during the year by timing of releases as satisfactions on releases were met.

D2. Amortization of Advanced Fees were \$148 thousand more than forecasted, related to the growth of the Navigation program.

E2. Healthcare, assisted living, and clinic expenses were \$1.7 million or 15.2% less than the forecast. This variance was related to open staffing and lower staffing needs related to occupancy variances.

F2. Dining services expenses varied \$841 thousand or 24.5% to the forecast. This variance was driven by higher staffing costs, as the minimum wage was increased to \$15 per hour which affected positions within this area.

G2. Housekeeping, grounds, and maintenance expenses were \$517 thousand or 12.2% higher than the forecast. This was another area impacted by the minimum wage increase mentioned above.

H2. Life enrichment expense was \$231 thousand or 35.4% higher than the forecast. This was another area impacted by the minimum wage increase mentioned above.

I2. Navigation at Home expense varied \$435 thousand to the forecast. The audit represents all costs allocated to the Navigation at Home program, inclusive of marketing, which are not included in the forecast.

J2. Depreciation and amortization varied \$416 thousand to the forecast, attributable to the timing of new purchases of property and equipment throughout the year as compared to the estimate.

K2. Loss on sale of equipment represents the write-off of the net book value of prior assets capitalized in units that are currently being renovated at turnover. This had not been included in the forecast.

L2. Development, community relations and admissions varied to the forecast by \$812 thousand or 46.2%. The current year included several contributions made to other non-profits that had not been included in the forecast to support the community benefit requirements in North Carolina.

M2. Investment income varied to the forecast by (\$112) thousand, as investment return did not meet projections.

N2. Donor Restricted Net Assets decreased \$280 thousand during the year and had not been included in the forecast.

## Moravian Homes, Inc. d/b/a Salemtowne

## Statement of Cash Flows Analysis

March 31, 2022

	Forecast (000s) 2022	Audit (000s) 2022	Material Differences		Notes
			\$	%	
<b>Operating activities</b>					
Change in net assets	\$ 1,470	\$ (2,527)	\$ (3,997)	-272%	
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Amortization of deferred entrance fees	(5,828)	(5,085)	743	-13%	A3
Depreciation	5,634	6,061	427	8%	B3
Amortization	(90)	16	106	-118%	C3
Advance fees received	5,612	6,716	1,104	20%	D3
Paycheck Protection Program Loan forgiveness	(2,513)	(2,513)	-	0%	
(Gain) Loss on disposal of equipment	-	121	121	n/a	E3
Realized gains on investments	-	26	26	n/a	F3
Net unrealized (gains) losses on investments	-	221	221	n/a	F3
Net changes in:					
Accounts receivable	(25)	(202)	(177)	708%	G3
Other receivable	(19)	(12)	7	-37%	
Prepaid expense and other current assets	(91)	54	145	-159%	G3
Accounts payable	(129)	136	265	-205%	G3
Accrued expenses	(222)	171	393	-177%	G3
Accrued Interest Payable	(35)	(96)	(61)	174%	G3
(Decrease) in resident deposits	-	59	59	n/a	G3
Refunds payable	-	(12)	-	n/a	G3
Assets in split-interest agreement	-	(20)	(20)	n/a	G3
Net cash provided by operating activities	3,764	3,114	(650)	-17%	
<b>Investing activities</b>					
Net (increase) decrease in investments	(384)	(708)	(324)	84%	H3
Change in Designated for Statutory Operating Reserve	(361)	-	361	-100%	I3
Commissions paid for contracts obtained	(44)	(45)	(1)	2%	
Purchases of property and equipment	(2,777)	(5,091)	(2,314)	83%	J3
Net cash provided by (used in) investing activities	(3,566)	(5,844)	(2,278)	64%	
<b>Financing activities</b>					
Principal payments on bonds payable	(1,460)	(1,457)	3	0%	
Repayments on line of credit	(182)	-	182	-100%	K3
Proceeds on line of credit	-	918	918	n/a	K3
Proceeds from note payable	-	1,300	1,300	n/a	K3
Principal payments on other debt	(41)	(40)	1	-2%	
Entrance fees received on expansion units	880	-	(880)	-100%	D3
Change in Refundable portion of Entrance Fees, net of refunds	(252)	386	638	-253%	D3
Net cash provided by (used in) financing activities	(1,055)	1,107	2,162	-205%	
Net increase (decrease) in cash and cash equivalents	\$ (857)	\$ (1,623)	\$ (766)	89%	
Cash and cash equivalents at beginning of year	\$ 11,905	\$ 11,905	\$ -	0%	
Cash and cash equivalents at end of year	\$ 11,048	\$ 10,282	\$ (766)	-7%	

A3. Amortization of deferred entrance fees varied from the forecast by \$743 thousand, see previous B2 and D2 for explanations.

B3. Depreciation varied from the forecast by \$427 thousand, see previous J2 for explanations.

C3. Amortization varied from the forecast by \$106 thousand. The audited amounts include adjustments to the amortization of bond premium and discount to actual that were not accounted for in the forecast.

D3. Advance fees received were \$1.1 million higher than for existing units, \$880 thousand lower for expansion units and \$638 thousand more in the refundable portion of entrance fees. This represents a shift in the move-ins to existing product as the expansion was completed ahead of schedule.

E3. The variance in the Loss on disposal of equipment is referenced in K2 above.

F3. Realized and unrealized gains were not separately included in the forecast, thus the variance reflects actual amounts experienced.

G3. For change in the Balance Sheet accounts, refer to the comments under the Balance Sheet section.

H3. Investments increased \$324 thousand more than the forecast, as the investment return experienced and reinvested was higher than the forecast.

I3. The Change in Designated for Statutory Operating Reserve was not separated in the audit results, and rather included within the investment changes.

J3. Purchases of property and equipment varied from the forecast by \$2.3 million, as the organization incurred capitalized project costs for the next phase of the expansion. These had not been included in the forecast.

K3. For changes in the line of credit and other debt, refer to the comments in H1 and I1 above.

### **Estimated Number of Residents**

There were 443 residents living at Salemtowne as of March 31, 2022.

At fiscal year ended March 31, 2022, Navigation at Home had enrolled 109 members.

### **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.**



## **Navigation at Home**

**(Continuing Care at Home 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 immediate surrounding counties. However, it can be marketed throughout the state of North Carolina.

## Mission Statement

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.

Navigation at Home is operated by Salemtowne, a North Carolina non-profit corporation, and is governed by the Corporation's Board of Trustees and managed by the management and staff of the Corporation.

## Program Description

Navigation at Home is a membership-based program providing 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.

## 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 Application, Medical Review, and pass a health assessment by the Program's Care Coordination Team. A home 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, Member has 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 Navigator 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 Navigator will prepare an individual care plan, update it at least annually, and check in with the member regularly.

**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 problems. Any recommended changes or corrections are the Member's sole responsibility.

**Home Site Services:** Home site services include home care services, homemaker services, companion services, emergency response system, and temporary meals 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, eating, transferring, walking/mobility, grooming and continence.

**Meals:** A maximum of one (1) meal per day for a maximum of one (1) week will be provided when due to a medical need as determined to be appropriate by the Care Coordination team.

**Emergency Response System:** 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, heated swimming pool, 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.

**Other Services and Programs for Additional Charge:** Other services and programs will be available to members at member's expense. A list of services and charges currently available is included in the Member Services Agreement.

## 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 daycare if the cost of such services for any day exceeds the then current private pay daily rate for a long-term care private room in the health care facility at Salemtowne retirement community.

**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 retirement community or a Program participating facility, the member will continue to pay the Monthly Fee for the Program and the Program will pay for charges incurred at the facility for the level of service as defined in the Member Services Agreement. If the cost of such services for any day exceeds the then current private pay daily rate for a private room

in the nursing home facility at Salemtowne retirement community the member will be responsible for paying the difference between the cost of services at the facility and the then current private pay daily rate for a private room in the nursing home facility in Salemtowne retirement community, or transfer to Salemtowne retirement community or other Program participating facility.

## 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 psychotic or 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 four plan options: All Inclusive plan, Enhanced plan, Classic plan and Access plan.

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 plan options for effective June 1, 2022. All fees are per person.

### Navigation at Home Sample Pricing

#### Membership Fee

Age	All Inclusive	Enhanced	Classic	Access
65	\$38,853	\$31,430	\$25,757	\$23,385
75	\$62,967	\$51,529	\$40,115	\$36,416
85	\$88,383	\$72,451	\$54,833	\$47,578

#### Monthly Fees

Age	All Inclusive	Enhanced	Classic	Access
All Ages	\$664	\$581	\$511	\$484

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

The following table summarizes the service coverage levels for the above plan options:

Type of Service	All Inclusive	Enhanced	Classic	Access
<b>Care Coordination</b>	100%	100%	100%	100%
<b>Home Site Services:</b>				
Home Care Aide	100%	85%	50%	65%
Companion / Homemaker	100%	85%	50%	65%
Live in Companion	100%	85%	50%	65%
Adult Day Care	100%	85%	50%	65%
Delivered Meals (limited)	100%	100%	100%	100%
Emergency Response System	100%	100%	100%	100%
Home Inspection	100%	100%	100%	100%
Transportation (limited)	100%	100%	100%	100%
<b>Assisted Living or Nursing Home Care<sup>1, 2</sup></b>	100%	70%	50%	0%

<sup>1</sup> Percentages listed that are covered by the Corporation are limited to a cap equal to the then current negotiated private pay daily rate for a private room in the Nursing Home Facility at Salemtowne retirement community. The cap is applied on a monthly basis.

<sup>2</sup> Applies to Nursing Home or Assisted Living Care provided at Salemtowne retirement community or at a Program-Participating Facility.

### Consultative Care Plan

The Consultative Care Plan is a fee-for-service plan available for couples where one member does not medically qualify for one of the plans above. Consultative Care Plan members must live in the same home as a qualified member who has entered into a separate Member Services Agreement in order to be eligible. There is a one-time non-refundable membership fee based on the current level of fees which provides coordination of care by the Care Navigator, and the establishment of a care plan for the member. In addition, members will be charged an hourly Care Navigator fee based on the current schedule of fees for care coordination and scheduling of any needed home or facility-based services.

Consultative Care 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.

### 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 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 over the life of the program which began in 2014. Note that it is the average dollar amount of the CHANGE in fees from year to year that is shown – NOT the fees themselves. All changes during this period occurred once per year on June 1<sup>st</sup>.

	<b>Navigation at Home</b>	
Effective Date	% Per Month (Average)	\$ Per Month (Average)
6/1/2018	3.50%	\$20
6/1/2019	3.50%	\$20
6/1/2020	3.00%	\$15
6/1/2021	3.50%	\$19
6/1/2022	4.90%	\$26

## Rescission Period

The Member Services Agreement may be rescinded by giving written notice to the Program within 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 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 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 the designated service area, 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 30 days following receipt of the written notice.

**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 co-payments, deductibles, fees, cost and expenses accrued.

The Membership Fee shall amortize as follows:

- Months prior to use of services 2% per month
- Starting with the 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 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 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.

**No Refund:** If the member is under the Consultative Care Plan, there will be no refund of the Membership Fee after the 30-day rescission period.

**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 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 Care 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.

## Appendix A1

Audited Financial Statements  
as of March 31, 2022 and 2021

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

## **Financial Statements**

**Years Ended March 31, 2022 and 2021**



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## Independent Auditor's Report

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

### ***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, 2022 and 2021, 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, 2022 and 2021, 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 Moravian Home, Incorporated (d/b/a Salemtowne) 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**

Greenville, SC  
July 27, 2022

**Moravian Home, Incorporated (d/b/a Salemtowne)****Balance Sheets****March 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,315,636	\$ 2,487,504
Current portion of assets limited as to use	3,110,042	3,561,110
Accounts receivable, net	1,215,851	1,013,917
Other receivables	311,885	300,363
Prepaid and other current assets	300,039	354,403
Total current assets	<b>6,253,453</b>	<b>7,717,297</b>
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	6,763,000	6,402,000
Total assets limited as to use, net of current portion	<b>12,619,563</b>	<b>12,258,563</b>
Property and equipment, net	<b>100,240,821</b>	<b>101,331,032</b>
Investments	<b>12,787,163</b>	<b>12,687,470</b>
Other assets:		
Incremental costs of acquiring contracts, net	195,820	176,664
Development costs - Navigation by Salemtowne net of accumulated amortization of approximately \$300,000 and \$261,000 in 2022 and 2021, respectively	90,484	129,735
Assets in split-interest agreements	919,833	899,393
Total other assets	<b>1,206,137</b>	<b>1,205,792</b>
Total assets	<b>\$ 133,107,137</b>	<b>\$ 135,200,154</b>

See accompanying notes.

**Moravian Home, Incorporated (d/b/a Salemtowne)****Balance Sheets****March 31, 2022 and 2021****(Continued)**

	<b>2022</b>	<b>2021</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 1,378,786	\$ 1,242,992
Accrued expenses	1,879,255	1,707,959
Accrued interest payable	2,177,958	2,273,569
Refundable advance fees	284,922	12,219
Line of credit	1,100,000	182,164
Payroll Protection Program loan	-	2,513,055
Current portion of lease obligation	32,793	30,471
Current portion of note payable	11,793	10,985
Current portion of bonds payable	1,530,000	1,460,000
Total current liabilities	8,395,507	9,433,414
Bonds payable, excluding current portion, net	81,709,637	83,285,379
Notes payable, excluding current portion	1,304,139	14,984
Capital lease obligation, excluding current portion	5,703	38,496
Deposits	488,447	429,778
Refundable advance fees, excluding current portion	1,788,565	2,073,487
Deferred revenue from advance fees	32,735,346	30,717,992
Total liabilities	126,427,344	125,993,530
Net assets:		
Without donor restrictions	2,498,805	4,745,949
With donor restrictions	4,180,988	4,460,675
Total net assets	6,679,793	9,206,624
Total liabilities and net assets	<u>\$ 133,107,137</u>	<u>\$ 135,200,154</u>

See accompanying notes.

**Moravian Home, Incorporated (d/b/a Salemtowne)**  
**Statements of Operations**  
**Years Ended March 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
Revenues, gains, and other support:		
Net resident services, including amortization of advance fees of approximately \$4,771,000 in 2022 and \$3,758,000 in 2021	<b>\$ 30,852,914</b>	\$ 27,064,693
Contributions	-	123,414
Net assets released from restrictions used for operations and benevolent assistance	<b>943,159</b>	257,042
Navigation program income, including amortization of advance fees of approximately \$314,000 in 2022 and \$163,000 in 2021	<b>877,292</b>	595,133
Gain from forgiveness of PPP loan	<b>2,513,055</b>	-
Other income	<b>1,004,315</b>	2,134,312
Total revenues, gains, and other support	<b>36,190,735</b>	30,174,594
Expenses:		
Healthcare, assisted living and clinic	<b>9,394,789</b>	8,050,146
Dining services	<b>4,278,040</b>	3,866,754
Housekeeping, grounds and maintenance	<b>4,770,609</b>	4,133,172
Healthcare activities, fitness, events, and volunteers	<b>883,589</b>	732,363
Navigation program expenses	<b>691,309</b>	760,957
Depreciation and amortization of development costs	<b>6,124,715</b>	5,798,939
Interest	<b>4,301,566</b>	4,879,852
Loss on sale of equipment	<b>121,455</b>	648
Administration and general	<b>5,860,247</b>	4,987,166
Development, community relations and admissions	<b>2,569,527</b>	1,858,395
Total expenses	<b>38,995,846</b>	35,068,392
Operating loss	<b>(2,805,111)</b>	(4,893,798)
Non-operating gains (losses):		
Interest and dividends	<b>753,539</b>	184,810
Net realized gains from sale of investments	<b>25,764</b>	1,740,509
Net unrealized gains (losses) on investments	<b>(221,336)</b>	2,521,217
	<b>557,967</b>	4,446,536
Excess of revenues under expenses	<b>\$ (2,247,144)</b>	\$ (447,262)

See accompanying notes.

**Moravian Home, Incorporated (d/b/a Salemtowne)**  
**Statements of Changes in Net Assets**  
**Years Ended March 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
Net assets without donor restrictions:		
Excess of revenues under expenses	<b>\$ (2,247,144)</b>	<b>\$ (447,262)</b>
Decrease in net assets without donor restrictions	<b>(2,247,144)</b>	<b>(447,262)</b>
Net assets with donor restrictions:		
Contributions	<b>553,770</b>	485,735
Investment income	<b>89,262</b>	352,381
Net assets released from restrictions	<b>(943,159)</b>	(257,042)
Change in value of split-interest agreements	<b>20,440</b>	415,041
Increase in net assets with donor restrictions	<b>(279,687)</b>	996,115
Change in net assets	<b>(2,526,831)</b>	548,853
Net assets at beginning of year	<b>9,206,624</b>	8,657,771
Net assets at end of year	<b>\$ 6,679,793</b>	<b>\$ 9,206,624</b>

**Moravian Home, Incorporated (d/b/a Salemtowne)**  
**Statements of Cash Flows**  
**Years Ended March 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Operating activities:		
Change in net assets	\$ (2,526,831)	\$ 548,853
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of advance fees	(5,085,288)	(3,921,677)
Depreciation	6,059,513	5,693,510
Amortization of development and incremental costs	65,202	105,429
Amortization of bond discount, premium, and issuance costs	(48,568)	(143,920)
Advance fees received	6,716,344	3,003,716
Loss on disposal of equipment	121,455	648
Realized gains on investments	25,764	(1,740,509)
Net unrealized (gains) losses on investments	221,336	(2,521,217)
Loss on extinguishment of debt	-	341,557
Gain on forgiveness of PPP loan	(2,513,055)	-
Net changes in:		
Accounts receivable	(201,934)	1,735,912
Other receivables	(11,522)	146,834
Prepaid and other current assets	54,364	10,289
Accounts payable	135,794	187,666
Accrued expenses	171,296	(1,338,103)
Accrued interest payable	(95,611)	(242,471)
Room deposits	58,669	(203,837)
Assets in split-interest agreements	(20,440)	(415,041)
Refunds payable	(12,219)	-
Net cash provided by operating activities	<u>3,114,269</u>	<u>1,247,639</u>
Investing activities:		
Purchase of investments	(707,793)	(1,471,626)
Commissions paid for contracts obtained	(45,107)	(102,621)
Purchase of property and equipment	(5,090,857)	(3,186,953)
Net cash used by investing activities	<u>(5,843,757)</u>	<u>(4,761,200)</u>

See accompanying notes.



**Moravian Home, Incorporated (d/b/a Salemtowne)**  
**Statements of Cash Flows**  
**Years Ended March 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
Financing activities:		
Principal payments on bonds payable	<b>(1,457,074)</b>	(14,705,000)
Repayments on line of credit	-	(1,500,000)
Proceeds from line of credit	<b>917,836</b>	182,164
Proceeds from Payroll Protection Program loan	-	2,513,055
Proceeds from note payable	<b>1,300,000</b>	-
Principal payments on note payable	<b>(10,037)</b>	(9,925)
Principal payments on lease obligation	<b>(30,471)</b>	(27,588)
Entrance fees received on new units	-	9,424,401
Refundable portion of advance fees received, net of refunds	<b>386,298</b>	471,910
Net cash provided (used) by financing activities	<b>1,106,552</b>	(3,650,983)
Net decrease in cash and cash equivalents	<b>(1,622,936)</b>	(7,164,544)
Cash and cash equivalents, beginning of year	<b>11,905,177</b>	19,069,721
Cash and cash equivalents, end of year	<b>\$ 10,282,241</b>	<b>\$ 11,905,177</b>
Supplemental cash flow disclosure information:		
Cash paid for interest	<b>\$ 4,397,177</b>	<b>\$ 5,122,323</b>
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	<b>\$ 1,315,636</b>	\$ 2,487,504
Assets limited as to use	<b>8,966,605</b>	9,417,673
Cash, cash equivalents, and restricted cash—end of year	<b>\$ 10,282,241</b>	<b>\$ 11,905,177</b>

See accompanying notes.

## 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.

#### ***Investments in equity securities***

Investments in equity securities with readily determinable fair values 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. 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 year ended March 31, 2022 or 2021.

***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.

***Deferred revenue from advance 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. When a resident terminates occupancy, any unamortized advance fees, net of refundable amounts, are recognized as net resident service revenue.

***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, 2022 or 2021, 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 2022 and 2021.

***Nets assets with donor 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.

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 in 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.

***Excess of revenues under expenses***

The statements of operations includes excess of revenues under expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues under 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, 2022. 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, 2022, which is the date the financial statements were issued.

***Reclassifications***

Certain amounts in the 2021 financial statements were reclassified in order to conform to the 2022 presentation. Such reclassifications include moving interest and dividend income and net realized gains from operating revenues to the nonoperating section on the statement of operations, moving dining revenue from the net patient service revenue to the other revenue line and amounts previously classified as incremental costs of acquiring contracts were determined to be property and equipment instead and were moved to the net property and equipment line.

## **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 in 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 in 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.

### Health care services:

In the facility, 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, 2022</b>		
	<b>Independent Living</b>	<b>Assisted Living &amp; Memory Care</b>	<b>Skilled Nursing</b>
			<b>Total</b>
Private pay	\$ 13,940,852	\$ 4,302,178	\$ 6,332,378
Government reimbursement	-	-	5,114,665
Other third-party payor programs	-	-	1,162,841
<b>Total</b>	<b>\$ 13,940,852</b>	<b>\$ 4,302,178</b>	<b>\$ 12,609,884</b>
			<b>\$ 30,852,914</b>

	<b>Year Ended March 31, 2021</b>			
	<b>Independent Living</b>	<b>Assisted Living &amp; Memory Care</b>	<b>Skilled Nursing</b>	<b>Total</b>
Private pay	\$ 11,785,386	\$ 4,011,291	\$ 5,867,478	\$ 21,664,155
Government reimbursement	-	-	4,439,224	4,439,224
Other third-party payor programs	-	-	961,314	961,314
<b>Total</b>	<b>\$ 11,785,386</b>	<b>\$ 4,011,291</b>	<b>\$ 11,268,016</b>	<b>\$ 27,064,693</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.

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 2022 and 2021. There were no changes during 2022 and 2021 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, 2022 and 2021.

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

	<b>March 31, 2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Income and money market funds	\$ 11,646,352	\$ -	\$ -	\$ 11,646,352
Common stocks	8,327,187	-	-	8,327,187
Fixed income mutual funds	6,343,665	-	-	6,343,665
Exchange-traded funds	1,969,939	-	-	1,969,939
<b>Total</b>	<b><u>\$ 28,287,143</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 28,287,143</u></b>

The Community has \$220,000 of cash balances included in assets limited as to use and investments as of March 31, 2021, which is not included in the fair value hierarchy.

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

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

	<b>2022</b>	<b>2021</b>
Assets held in professionally managed trust accounts:		
Cash and cash equivalents	\$ -	\$ 220,000
Short-term income and money market funds	<b>12,393,881</b>	11,646,352
Common stocks and fixed income mutual funds	<b>14,108,646</b>	14,670,852
Exchange-traded funds	<b>2,014,241</b>	1,969,939
<b>Total assets limited as to use and investments</b>	<b><u>\$ 28,516,768</u></b>	<b><u>\$ 28,507,143</u></b>

Investments in equity securities (common stocks, fixed income mutual funds and exchange-traded funds) 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. Investments in equity securities have a market value of \$16,640,791 with a cost of \$13,408,955 at March 31, 2021. This resulted in a net unrealized gain of \$3,231,836.



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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>2022</u>	<u>2021</u>
Assets limited to use:		
Under statutory requirements:		
Restricted statutory operating reserve	<u>\$ 6,763,000</u>	<u>\$ 6,402,000</u>
Under bond indenture agreement:		
Accrued interest fund	<u>2,345,042</u>	2,276,110
Debt service reserve fund	<u>5,856,563</u>	5,856,563
Principal fund	<u>765,000</u>	1,285,000
	<u>8,966,605</u>	<u>9,417,673</u>
Total assets limited as to use	<u>15,729,605</u>	15,819,673
Total investments	<u>12,787,163</u>	<u>12,687,470</u>
Total assets limited as to use and investments	<u>\$ 28,516,768</u>	<u>\$ 28,507,143</u>

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

	<u>2022</u>	<u>2021</u>
Interest and dividends	<u>\$ 753,539</u>	<u>\$ 184,810</u>
Net realized gains on sale of investments	<u>25,764</u>	1,740,509
Net unrealized gains(losses) on investments	<u>(132,074)</u>	<u>2,873,598</u>
Total investment income	<u>\$ 647,229</u>	<u>\$ 4,798,917</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>2022</u>	<u>2021</u>
Land and improvements	<u>\$ 4,193,067</u>	<u>\$ 4,144,859</u>
Buildings	<u>133,914,367</u>	132,090,219
Furniture and equipment	<u>6,674,301</u>	6,297,220
Vehicles	<u>544,295</u>	544,295
Other	<u>132,930</u>	132,930
Construction in progress	<u>3,214,255</u>	617,995
	<u>148,673,215</u>	143,827,518
Accumulated depreciation	<u>(48,432,394)</u>	<u>(42,713,166)</u>
	<u>\$ 100,240,821</u>	<u>\$ 101,114,352</u>

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

Depreciation expense during the year ended March 31, 2022 and 2021 totaled approximately \$6,053,000 and \$5,773,000, respectively.

## **6. Bonds Payable**

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>2022</u>	<u>2021</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	7,290,000	8,750,000
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	84,265,000	85,725,000
Less current portion of bonds payable	(1,530,000)	(1,460,000)
Deferred financing costs, net	(1,072,058)	(1,141,783)
Unamortized original issue premium and discount, net	<u>46,695</u>	<u>162,162</u>
	<u><b>\$ 81,709,637</b></u>	<u><b>\$ 83,285,379</b></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, 2022.

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

**Fiscal Year**

2022	\$ 1,530,000
2023	1,605,000
2024	1,680,000
2025	1,765,000
2026	1,845,000
Thereafter	<u>75,840,000</u>
	<u>\$ 84,265,000</u>

## **7. Notes Payable**

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, 2022 and 2021 was \$1,300,000 and \$0, respectively. The remaining balance relates to a five year note payable on a van entered into in August 2018.

## **8. 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, 2022 at which time all outstanding principal and accrued interest will be due. The outstanding balance at March 31, 2022 and 2021 was \$1,100,000 and \$182,164, respectively.

## **9. Refundable Fees**

The Community offers three different continuing care contracts, 1) a standard rate plan, 2) a 50% refundable plan, and 3) a 90% refundable plan. The non-refundable portions of these fees are recorded as deferred revenue. The refundable portion is treated as a long-term liability. 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.

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The Community's continuing care contracts provide for reimbursement of a portion of the advance fee upon termination of the agreement in the event of move-out, death, or termination by the Community. 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. 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.

Based on the status of continuing care contracts in effect at March 31, 2022 and 2021, the actual amount of contractual refund obligations which existed at those dates was approximately \$18,200,000 and \$18,900,000, respectively.

The amount of the contractual refund obligations that is expected to be refunded, based on historical experience, is classified as refundable advance fees.

## **10. Net Assets with Donor Restrictions**

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

	<u>2022</u>	<u>2021</u>
Split-interest agreements (time-restricted)	\$ 413,876	\$ 413,729
Pathways debt reduction	35,523	35,523
Single Sisters Preservation of the Community Fund	52,604	52,604
Unappropriated endowment earnings and other	738,375	1,129,765
Pathways trails	40,191	40,191
Lucille Fogle (walking trails, sidewalks and care of residents)	<u>14,404</u>	<u>14,404</u>
	<u><u>\$ 1,294,973</u></u>	<u><u>\$ 1,686,216</u></u>

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>2022</u>	<u>2021</u>
Financial assistance	\$ 2,136,641	\$ 2,045,378
Restricted endowments	46,987	46,987
Single Sisters Preservation of the Community Fund	169,354	169,354
Split-interest agreements	404,285	383,992
Babcock Campus (protected conservation area)	<u>128,750</u>	<u>128,750</u>
	<u><u>\$ 2,886,017</u></u>	<u><u>\$ 2,774,461</u></u>

## 11. 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.

## 12. 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, 2022 and 2021, management estimated that \$6,763,000 and \$6,402,000, 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 \$6,763,000 and \$6,402,000 at March 31, 2022 and 2021, respectively.

### **13. 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, 2022 and 2021, the Community made contributions totaling approximately \$219,000 and \$190,000, respectively.

### **14. 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 \$1,706,000 and \$1,445,000 for the years ended March 31, 2022 and 2021, 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, 2022 and 2021, net patient service revenue was reduced by third party payor contractual adjustments (primarily Medicaid and Medicare) of approximately \$4,370,000 and \$3,776,000, respectively.

### **15. 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.

### **16. 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.

## **17. 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:

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, 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	<u><b>\$ 7,783,970</b></u>	<u><b>\$ 1,294,974</b></u>	<u><b>\$ 2,886,016</b></u>	<u><b>\$ 11,964,960</b></u>



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

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	<b>\$ 7,381,500</b>	<b>\$ 1,686,216</b>	<b>\$ 2,774,461</b>	<b>\$ 11,842,177</b>
Contributions to principal	-	<b>551,770</b>	<b>2,000</b>	<b>553,770</b>
Investment income	-	-	<b>89,262</b>	<b>89,262</b>
Net assets released from restriction	-	<b>(943,159)</b>	-	<b>(943,159)</b>
Change in value of split-interest agreements	-	<b>147</b>	<b>20,293</b>	<b>20,440</b>
Designated by board	<b>402,470</b>	-	-	<b>402,470</b>
Endowment net assets, end of year	<b><u>\$ 7,783,970</u></b>	<b><u>\$ 1,294,974</u></b>	<b><u>\$ 2,886,016</u></b>	<b><u>\$ 11,964,960</u></b>

Endowment Net Asset Composition by Type of Fund as of March 31, 2021

	<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>\$ 7,381,500</u></b>	<b><u>\$ 1,686,216</u></b>	<b><u>\$ 2,774,461</u></b>	<b><u>\$ 11,842,177</u></b>

Changes in Endowment Net Assets for the Year Ended March 31, 2021

	<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>\$ 7,305,547</b>	<b>\$ 825,029</b>	<b>\$ 2,639,533</b>	<b>\$ 10,770,109</b>
Contributions to principal	<b>75,953</b>	<b>482,035</b>	<b>3,700</b>	<b>561,688</b>
Investment income	-	<b>352,381</b>	-	<b>352,381</b>
Net assets released from restriction	-	<b>(257,042)</b>	-	<b>(257,042)</b>
Change in value of split-interest agreements	-	<b>283,813</b>	<b>131,228</b>	<b>415,041</b>
Endowment net assets, end of year	<b><u>\$ 7,381,500</u></b>	<b><u>\$ 1,686,216</u></b>	<b><u>\$ 2,774,461</u></b>	<b><u>\$ 11,842,177</u></b>

***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.

**18. 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.

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:

<b>Asset Categories</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 1,315,636	\$ 2,487,504
Accounts receivable	1,215,851	1,013,917
Other receivables	311,885	300,363
Investments and assets limited as to use	28,516,768	28,507,143
Less: Held by trustee	(8,966,605)	(9,417,673)
Less: Reserves required by state statute	(6,763,000)	(6,402,000)
Less: Restricted by donor	(4,180,988)	(4,460,677)
	<u>\$ 11,449,547</u>	<u>\$ 12,028,577</u>

## **19. COVID-19**

On March 27, 2020, the federal Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law, which is intended to provide economic relief and emergency assistance for individuals, families and businesses affected by COVID-19. Various state governments are also taking action to provide economic relief and emergency assistance. These relief funds are considered non-exchange transactions subject to terms and conditions specified by the resource provider distributed by the Health Resources Service Administration section of the U.S. Department of Health and Human Services ("HHS"). These conditions create a restriction that such funds must be used to prevent, prepare or respond to COVID-19, creating purpose restrictions in addition to conditions. Such funds are subject to the recoupment to the extent the conditions for entitlement are not met.

The Community received CARES Act Provider Relief Funds ("PRF") of approximately \$962,000 during the year ended March 31, 2021, all of which has been recognized as other income during the year ended March 31, 2021 in the statements of operations to the extent the eligibility requirements with the terms and conditions for entitlement to such funding for healthcare related expenses or lost revenues to prevent, prepare for or respond to COVID-19, have been met. Additionally, throughout fiscal year 2021, the Community received a total of \$37,000 in funds from the North Carolina Department of Health and Human Services ("NCDHHS") for reimbursements of mandatory COVID-19 testing of state residents residing in medical centers.

## **20. Payroll Protection Program**

The CARES Act also 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 and believes that it was eligible under the PPP to receive the funds and expects to meet the requirements under the program to have the loan forgiven. The Community has elected to account for the funds received in accordance with ASC Topic 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. The Community has elected to classify the outstanding balance of the loan as a current liability as of March 31, 2021 on the accompanying balance sheet as forgiveness was expected within the next operating cycle. On June 11, 2021, the Small Business Administration approved the application for forgiveness and all outstanding principal and accrued interest was forgiven.

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

**21. 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, 2022:

	Program Services			Administrative and General	Marketing	Total
	Independent	Assisted Living	Skilled Nursing			
Salaries and benefits	\$ 4,008,270	\$ 1,530,553	\$ 6,323,213	\$ 3,181,819	\$ 785,184	\$ 15,829,039
Medical and personal care	158,891	181,745	1,749,952	-	1,476	2,092,064
Food services	1,112,170	4,512	602,542	15,325	63,961	1,798,510
Facilities services	559,204	831	77,116	95,836	148	733,135
Supplies	167,405	-	312,465	39,834	30,777	550,481
Utilities	976,966	-	127,768	311,459	-	1,416,193
Administration	953,356	2,759	702,227	3,834,741	327,719	5,820,802
Marketing	16,843	-	8,001	7,747	296,750	329,341
Depreciation and amortization	-	-	-	6,124,715	-	6,124,715
Interest expense	-	-	-	4,301,566	-	4,301,566
Total expense	\$ 7,953,105	\$ 1,720,400	\$ 9,903,284	\$ 17,913,042	\$ 1,506,015	\$ 38,995,846

The following is a schedule of expenses by both natural classification and function for the year ended March 31, 2021:

	Program Services			Administrative and General	Marketing	Total
	Independent	Assisted Living	Skilled Nursing			
Salaries and benefits	\$ 3,887,115	\$ 1,531,055	\$ 5,860,441	\$ 2,494,096	\$ 606,123	\$ 14,378,830
Medical and personal care	259,863	96,108	1,606,168	1,810	495	1,964,444
Food services	797,703	2,048	602,941	9,883	10,023	1,422,598
Facilities services	312,222	394	84,838	118,456	-	515,910
Supplies	156,385	24,023	371,493	21,370	40,457	613,728
Utilities	1,050,568	-	-	110,775	-	1,161,343
Administration	1,032,578	3,466	344,720	2,290,447	265,094	3,936,305
Marketing	-	281	1,602	-	394,560	396,443
Depreciation and amortization	-	-	-	5,798,939	-	5,798,939
Interest expense	-	-	-	4,879,852	-	4,879,852
Total expense	\$ 7,496,434	\$ 1,657,375	\$ 8,872,203	\$ 15,725,628	\$ 1,316,752	\$ 35,068,392

## Appendix A2

### Interim Financial Statements as of June 30, 2022

**Moravian Home, Inc. d/b/a Salemtowne**  
**Balance Sheet**  
**as of June 30, 2022 and March 31, 2022**

	June 30, 2022	March 31, 2022	\$ Change	% Change
<b>Assets</b>				
<b>Current Assets</b>				
Cash & Cash Equivalents	\$ 1,363,075	\$ 1,315,696	47,379	3.6%
Current portion of assets whose use is limited	2,421,660	3,110,042	(688,382)	-22.1%
Accounts Receivable:				
Residents, net	1,161,974	1,215,851	(53,877)	-4.4%
Other	150,536	311,885	(161,349)	-51.7%
Prepaid & Other Current Assets	621,200	300,039	321,161	107.0%
Total current assets	5,718,445	6,253,453		
Assets whose use is limited, net	5,856,563	5,856,563	-	0.0%
Statutory reserve	6,763,000	6,763,000	-	0.0%
Investments	9,735,520	12,787,163	(3,051,643)	-23.9%
Property & equipment, net	99,370,014	100,240,821	(870,807)	-0.9%
Contract acquisition costs, net	195,820	195,820	-	0.0%
Other Assets	1,095,349	1,010,317	85,032	8.4%
<b>Total Assets</b>	<b>\$ 128,734,711</b>	<b>\$ 133,107,137</b>		
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Line of Credit	\$ 1,300,000	\$ 1,100,000	200,000	18.2%
Current maturities of long-term debt	1,572,546	1,574,586	(2,040)	-0.1%
Accounts payable	2,107,898	1,378,786	729,112	52.9%
Accrued expenses	1,359,150	1,879,255	(520,105)	-27.7%
Accrued interest payable	1,136,390	2,177,958	(1,041,568)	-47.8%
Refundable entrance fees	43,680	284,922	(241,242)	
Total current liabilities	7,519,664	8,395,507		
Long-term debt, net	83,575,204	83,019,479	555,725	0.7%
Refundable entrance fees and deposits	705,929	2,277,012	(1,571,083)	-69.0%
Deferred revenue from entrance fees	33,650,368	32,735,346	915,022	2.8%
Total liabilities	125,451,165	126,427,344		
<b>Net Assets</b>				
Without donor restrictions	(395,487)	2,498,805	(2,894,292)	-115.8%
With donor restrictions	3,679,033	4,180,988	(501,955)	-12.0%
Total net assets	3,283,546	6,679,793		
Total liabilities and net assets	<b>\$ 128,734,711</b>	<b>\$ 133,107,137</b>		

**Moravian Home, Inc. d/b/a Salemtowne**  
**Statement of Operations and Changes in Net Assets**  
**For the Three Months Ended June 30, 2022**

MTD Actual	MTD Budget	\$ Change	% Change		YTD Actual	YTD Budget	\$ Change	% Change
<b>Revenues Without Donor Restrictions</b>								
Net resident services revenue								
Residential Living								
743,647	740,323	3,324	0.4%	Monthly Fees	2,169,819	2,180,739	(10,920)	-0.5%
506,102	390,000	116,102	29.8%	Amortization of entrance fees	1,279,620	1,170,000	109,620	9.4%
159,895	182,741	(22,846)	-12.5%	Assisted Living	526,097	529,393	(3,296)	-0.6%
151,046	171,287	(20,241)	-11.8%	Memory Support	486,299	497,096	(10,797)	-2.2%
1,097,348	1,166,313	(68,965)	-5.9%	Health Care	3,347,910	3,498,364	(150,454)	-4.3%
88,884	74,721	14,163	19.0%	Therapy	268,327	224,163	44,164	19.7%
11,987	20,838	(8,851)	-42.5%	Home Care	36,751	62,513	(25,762)	-41.2%
14,329	8,514	5,815	68.3%	Other Ancillary Revenue	109,728	25,541	84,187	329.6%
2,773,238	2,754,737	18,501	0.7%	Total net resident services revenue	8,224,551	8,187,809	36,742	0.4%
Other revenue								
90,280	150,776	(60,496)	-40.1%	Dining	261,083	457,211	(196,128)	-42.9%
64,456	52,546	11,910	22.7%	Navigation by Salemtowne	170,312	150,269	20,043	13.3%
24,549	25,000	(451)	-1.8%	Amortization of Navigation entrance fees	69,905	75,000	(5,095)	-6.8%
179,285	228,322	(49,037)	-21.5%	Total other revenue	501,300	682,480	(181,180)	-26.5%
47,474	-	47,474		Contributions and net assets released from restriction used for operations	116,396	-	116,396	100.0%
2,999,997	2,983,059	16,938	0.6%	Total revenues without donor restrictions	8,842,247	8,870,289	(28,042)	-0.3%
<b>Expenses</b>								
782,410	897,122	114,712	12.8%	Resident Care	2,515,505	2,660,271	144,766	5.4%
414,450	404,095	(10,355)	-2.6%	Dining Services	1,183,325	1,220,350	37,025	3.0%
407,543	380,662	(26,881)	-7.1%	Environmental Services	1,218,635	1,135,572	(83,063)	-7.3%
75,000	82,369	7,369	8.9%	Life Enrichment	245,934	252,567	6,633	2.6%
84,042	100,203	16,161	16.1%	Information Systems	303,647	300,610	3,037	-1.0%
32,453	78,379	45,926	58.6%	Development	99,024	234,728	135,704	57.8%
438,120	478,275	40,155	8.4%	Administration	1,401,696	1,432,941	31,245	2.2%
31,793	21,500	(10,293)	-47.9%	Insurance Expense	88,477	64,500	(23,977)	-37.2%
371,849	355,204	(16,645)	-4.7%	Interest Expense	1,110,691	1,054,653	(56,038)	-5.3%
512,579	479,390	(33,189)	-6.9%	Depreciation & Amortization	1,527,400	1,434,262	(93,138)	-6.5%
3,150,239	3,277,199	126,960	3.9%	Total operating expenses	9,694,334	9,790,454	(96,120)	-1.0%
(150,242)	(294,140)	143,898	-48.9%	Operating (loss) income	(852,087)	(920,165)	68,078	-7.4%
<b>Nonoperating Gains (Losses)</b>								
(645,862)	77,342	(723,204)	-935.1%	Investment return	(2,062,074)	223,070	(2,285,144)	-992.4%
(796,104)	(216,798)	(579,306)	267.2%	Revenues in excess of (less than) expenses	(2,914,161)	(689,095)	(2,225,066)	322.9%
<b>Net Assets Released from Restriction Used for</b>								
-	-	-		<b>Property and Equipment</b>	19,869	-	19,869	
(796,104)	(216,798)	(579,306)	267.2%	Change in net assets without donor restrictions	(2,894,292)	(689,095)	(2,205,197)	320.0%

**Moravian Home, Inc. d/b/a Salemtowne**

	MTD Actual	MTD Budget	\$ Change	% Change		YTD Actual	YTD Budget	\$ Change	% Change
					<b>Net Assets With Donor Restrictions</b>				
					Contributions:				
	37,761	25,000	12,761		Purpose restricted	51,869	75,000	(23,131)	
	(465,617)				Held in perpetuity			-	
					Investment return	(465,617)	-	(465,617)	
					Net assets released from restriction used for:				
	(29,159)	-	(29,159)		Operations	(68,338)	-	(68,338)	
					Property and equipment	(19,869)	-	(19,869)	
	<u>(457,015)</u>	<u>25,000</u>	<u>(16,398)</u>		Change in net assets with donor restrictions	<u>(501,955)</u>	<u>75,000</u>	<u>(576,955)</u>	
	(1,253,119)	(191,798)	(595,704)	310.6%	Change in net assets	(3,396,247)	(614,095)	(2,782,152)	453.05%
					<b>Net Assets, Beginning</b>	<u>6,679,793</u>			
					<b>Net Assets, Ending</b>	<u>3,283,546</u>	<u>(614,095)</u>		



**Moravian Home, Inc. d/b/a Salemtowne**  
**Statement of Cash Flow**  
**For the Three Months Ended June 30, 2022**

**Cash Flows from Operating Activities**

Change in net assets	(3,396,247)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,527,400
Amortization of bond premium/discount	(15,847)
Bad debt expense	52,086
Proceeds from entrance fees and entrance fee deposits, existing units	302,282
Proceeds from entrance fees and entrance fee deposits, Navigation	235,392
Amortization of entrance fees	(1,350,550)
Net realized and unrealized gains and losses on investments	2,546,134
Changes in assets and liabilities:	
Accounts receivable, resident and other	163,140
Prepaid expenses and other current assets	(321,161)
Other assets	(96,391)
Accounts payable, trade	729,112
Accrued interest payable	(1,041,568)
Accrued expenses	(520,105)
Net cash used in operating activities	<u>(1,186,323)</u>

**Cash Flows from Investing Activities**

Net (purchases)/sales of assets whose use is limited and investments	505,449
Purchase of property and equipment	<u>(645,234)</u>
Net cash used in investing activities	<u>(139,785)</u>

**Cash Flows from Financing Activities**

Proceeds from line of credit	200,000
Proceeds from loan	646,419
Repayment of long-term debt	(11,787)
Proceeds from refundable entrance fees, new units	93,000
Refunds of entrance fees	<u>(242,527)</u>
Net cash provided by financing activities	<u>685,105</u>

Net Increase/(decrease) (641,003)

Cash and Cash Equivalents, and Restricted Cash and Cash Equivalents, Beginning	<u>4,425,738</u>
Cash and Cash Equivalents, and Restricted Cash and Cash Equivalents, Ending	<u>3,784,735</u>

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

Cash and cash equivalents	1,363,075
Assets whose use is limited	<u>2,421,660</u>
Total cash, cash equivalents, and restricted cash and cash equivalents	<u>3,784,735</u>

## Appendix A3

### Summary of Calculation of Obligation to Provide Future Service as of March 31, 2022

(Continuing Care Retirement Community)



# **Moravian Home Incorporated, d/b/a Salem Towne**

Calculation of Obligation  
to Provide Future Services

As of March 31, 2022

Report Date: JUNE 14, 2022

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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, 2022. 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, 2022 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 2023. 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, 2022 to be (\$16,472,000). 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, 2022 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 95.2% occupancy (212.2 out of 223 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, 2022 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 94.9% 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 2023 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 2023 ANNUAL REVENUES**

All Contracts	
Independent Living Unit - Per Unit – Grandfather Fees	\$36,111
Independent Living Unit - Per Second Resident – Grandfather Fees	13,759
Independent Living Unit - Per Unit – 2016-2017 Fees	\$34,169
Independent Living Unit - Per Second Resident – 2016-2017 Fees	7,451
Independent Living Unit - Per Unit – 2017-2018 Fees	\$39,560
Independent Living Unit - Per Second Resident – 2017-2018 Fees	8,634
Assisted Living Unit - Per Resident	92,550
Skilled Nursing Facility - Per Patient	148,292

**FY 2023 ANNUAL EXPENSES**

Independent Living Unit - Per Unit	\$13,102
Independent Living Unit - Per Resident	16,488
Assisted Living Unit - Per Resident	64,831
Skilled Nursing Facility - Per Patient	108,944
Monthly Service Increase Rate	3.0%
Inflation Rate	3.0%
Investment Earnings Rate	2.0%
Discount Rate	5.5%
Allocable Depreciation	\$34,198,000
Unamortized Deferred Revenue	\$31,675,000
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, 2022. 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>2023</u>	<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>Community Configuration</u>											
Independent Living	223	223	223	223	223	223	223	223	223	223	223
Assisted Living	52	52	52	52	52	52	52	52	52	52	52
Health Care Center	100	100	100	100	100	100	100	100	100	100	100
<u>Total Community Occupancy Projection</u>											
Independent Living Residents	305.5	283.7	274.2	266.8	261.2	257.0	254.0	251.9	250.5	249.7	
Total ILU Units Occupied	219.6	212.2	212.2	212.2	212.2	212.2	212.2	212.2	212.2	212.2	
<u>Assisted Living - Permanent</u>											
Assisted Living - Temporary	35.4	22.8	17.1	14.7	13.8	13.6	13.6	13.8	13.9	14.0	
Assisted Living - Direct Admit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Assisted Living - Total	14.0	26.6	32.3	34.7	35.6	35.8	35.8	35.6	35.5	35.4	
	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4	
<u>Health Care Center - Permanent</u>											
Health Care Center - Temporary	35.8	42.0	41.4	39.3	37.6	36.6	36.2	36.2	36.3	36.4	
Health Care Center - Direct Admit	7.5	7.2	7.0	6.9	6.9	6.9	6.9	6.9	6.8	6.9	
Health Care Center - Total	47.7	41.8	42.6	44.8	46.5	47.5	47.9	48.0	47.9	47.8	
	91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0	
Total Residents	438.5	416.9	407.6	400.3	394.7	390.5	387.5	385.4	384.1	383.3	
<u>Closed Group Occupancy Projection</u>											
Independent Living Residents	301.8	262.9	227.2	194.7	165.5	139.3	116.2	96.0	78.5	63.6	
Total ILU Units Occupied	216.7	196.0	175.2	155.0	135.6	117.3	100.3	84.8	70.8	58.4	
<u>Assisted Living - Permanent</u>											
Assisted Living - Temporary	35.3	22.6	16.5	13.4	11.7	10.4	9.4	8.4	7.5	6.6	
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<u>Health Care Center - Permanent</u>											
Health Care Center - Temporary	35.8	41.7	40.1	36.4	32.7	29.3	26.2	23.5	20.9	18.3	
	7.3	6.6	6.0	5.3	4.8	4.2	3.7	3.2	2.7	2.2	
Total Residents	372.9	327.1	283.7	244.6	209.8	179.0	151.8	127.9	106.9	88.5	

RESIDENT LEVEL OF CARE INFORMATION	YEAR									
	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
<u>Community Configuration</u>										
Independent Living	223	223	223	223	223	223	223	223	223	223
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	249.3	249.1	249.0	249.1	249.2	249.4	249.5	249.6	249.7	249.7
Total ILU Units Occupied	212.2	212.2	212.2	212.2	212.2	212.2	212.2	212.2	212.2	212.2
<u>Assisted Living - Permanent</u>										
Assisted Living - Permanent	14.0	14.0	14.0	14.0	13.9	13.9	13.8	13.8	13.7	13.7
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 Admitt</u>	<u>35.4</u>	<u>35.4</u>	<u>35.4</u>	<u>35.4</u>	<u>35.5</u>	<u>35.5</u>	<u>35.6</u>	<u>35.6</u>	<u>35.7</u>	<u>35.7</u>
Assisted Living - Total	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4
<u>Health Care Center - Permanent</u>										
Health Care Center - Permanent	36.4	36.4	36.4	36.3	36.3	36.4	36.4	36.4	36.3	36.1
Health Care Center - Temporary	6.9	6.9	7.0	7.0	7.0	7.0	6.9	6.9	6.9	6.9
<u>Health Care Center - Direct Admitt</u>	<u>47.7</u>	<u>47.6</u>	<u>47.7</u>	<u>47.7</u>	<u>47.7</u>	<u>47.7</u>	<u>47.6</u>	<u>47.7</u>	<u>47.8</u>	<u>47.9</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	382.8	382.6	382.5	382.5	382.6	382.8	382.9	383.1	383.1	383.2
<u>Closed Group Occupancy Projection</u>										
Independent Living Residents	51.1	40.7	32.1	25.0	19.3	14.7	11.1	8.3	6.2	4.6
Total ILU Units Occupied	47.6	38.4	30.6	24.1	18.8	14.4	10.9	8.2	6.1	4.6
<u>Assisted Living - Permanent</u>										
Assisted Living - Permanent	5.7	4.8	4.0	3.2	2.6	2.1	1.6	1.2	0.9	0.6
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Health Care Center - Permanent</u>										
Health Care Center - Permanent	15.9	13.6	11.4	9.5	7.8	6.4	5.2	4.2	3.2	2.4
Health Care Center - Temporary	1.9	1.6	1.3	1.1	0.8	0.6	0.5	0.4	0.3	0.2
Total Residents	72.6	59.0	47.4	37.7	29.7	23.2	17.9	13.6	10.3	7.6

RESIDENT LEVEL OF CARE INFORMATION	YEAR									
	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052
<u>Community Configuration</u>										
Independent Living	223	223	223	223	223	223	223	223	223	223
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	249.7	249.8	249.8	249.7	249.7	249.7	249.7	249.8	249.8	249.8
Total ILU Units Occupied	212.2	212.2	212.2	212.2	212.2	212.2	212.2	212.2	212.2	212.2
<u>Assisted Living - Permanent</u>										
Assisted Living - Permanent	13.7	13.6	13.6	13.6	13.6	13.6	13.6	13.6	13.6	13.6
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assisted Living - Direct Admit	35.7	35.8	35.8	35.8	35.8	35.8	35.8	35.8	35.8	35.8
Assisted Living - Total	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4
<u>Health Care Center - Permanent</u>										
Health Care Center - Permanent	36.0	35.9	35.9	35.8	35.8	35.8	35.8	35.8	35.8	35.8
Health Care Center - Temporary	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
Health Care Center - Direct Admit	48.1	48.2	48.2	48.2	48.2	48.3	48.3	48.3	48.3	48.3
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	383.2	383.2	383.2	383.2	383.2	383.2	383.2	383.2	383.2	383.3
<u>Closed Group Occupancy Projection</u>										
Independent Living Residents	3.5	2.7	2.1	1.7	1.5	1.3	1.2	1.1	1.1	1.0
Total ILU Units Occupied	3.5	2.7	2.1	1.7	1.5	1.3	1.2	1.1	1.1	1.0
<u>Assisted Living - Permanent</u>										
Assisted Living - Permanent	0.4	0.3	0.2	0.1	0.1	0.1	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
<u>Health Care Center - Permanent</u>										
Health Care Center - Permanent	1.7	1.2	0.9	0.6	0.4	0.3	0.2	0.1	0.1	0.1
Health Care Center - Temporary	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Total Residents	5.6	4.2	3.2	2.5	2.0	1.6	1.4	1.3	1.2	1.1

**REVENUE AND EXPENSE  
ASSUMPTIONS**

	YEAR									
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>REVENUES</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>										
Annual Fee Per Unit - Grandfather	\$36,111	\$37,194	\$38,310	\$39,459	\$40,643	\$41,862	\$43,118	\$44,412	\$45,744	\$47,117
Annual Fee Per Second Resident - Grandfather	13,759	14,172	14,597	15,035	15,486	15,951	16,429	16,922	17,430	17,953
Annual Fee Per Unit - 2016-2017 Fees	34,169	35,194	36,250	37,337	38,458	39,611	40,800	42,024	43,284	44,583
Annual Fee Per Second Resident - 2016-2017 Fees	7,451	7,674	7,905	8,142	8,386	8,638	8,897	9,164	9,439	9,722
Annual Fee Per Unit - 2017-2018 Fees	39,560	40,747	41,969	43,228	44,525	45,861	47,237	48,654	50,114	51,617
Annual Fee Per Second Resident - 2017-2018 Fees	8,634	8,893	9,160	9,435	9,718	10,010	10,310	10,619	10,938	11,266
Per Assisted Living Resident	92,550	95,326	98,186	101,131	104,165	107,290	110,509	113,824	117,239	120,756
Per Health Care Center Resident	148,292	152,740	157,322	162,042	166,903	171,910	177,068	182,380	187,851	193,487
<u>Investment Income</u>										
Asset Base	\$12,581,563	\$12,581,563	\$12,581,563	\$12,581,563	\$12,581,563	\$12,581,563	\$12,581,563	\$12,581,563	\$12,581,563	\$12,581,563
Earnings Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Investment Income	251,631	251,631	251,631	251,631	251,631	251,631	251,631	251,631	251,631	251,631
Allocated Other Income	214,011	197,437	175,161	153,725	133,758	115,362	98,611	83,504	70,011	58,114
<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	\$13,102	\$13,495	\$13,899	\$14,316	\$14,746	\$15,188	\$15,644	\$16,113	\$16,597	\$17,095
Per Resident	16,488	16,982	17,492	18,017	18,557	19,114	19,687	20,278	20,886	21,513
Per Assisted Living Resident	64,831	66,776	68,779	70,843	72,968	75,157	77,412	79,734	82,126	84,590
Per Health Care Center Resident	108,944	112,213	115,579	119,046	122,618	126,296	130,085	133,988	138,007	142,148
<u>Interest Expense</u>										
Total Interest Expense	\$4,305,957	\$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
Allocated Interest Expense	3,662,193	3,321,099	2,892,896	2,489,749	2,121,442	1,789,185	1,493,230	1,232,342	1,004,845	809,384

**REVENUE AND EXPENSE  
ASSUMPTIONS**

	YEAR									
<b><u>REVENUES</u></b>	<b><u>2033</u></b>	<b><u>2034</u></b>	<b><u>2035</u></b>	<b><u>2036</u></b>	<b><u>2037</u></b>	<b><u>2038</u></b>	<b><u>2039</u></b>	<b><u>2040</u></b>	<b><u>2041</u></b>	<b><u>2042</u></b>
Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<b><u>Independent Living Unit</u></b>										
Annual Fee Per Unit - Grandfather	\$48,530	\$49,996	\$51,486	\$53,030	\$54,621	\$56,260	\$57,947	\$59,686	\$61,476	\$63,321
Annual Fee Per Second Resident - Grandfather	18,491	19,046	19,618	20,206	20,812	21,437	22,080	22,742	23,424	24,127
Annual Fee Per Unit - 2016-2017 Fees	45,920	47,298	48,717	50,178	51,684	53,234	54,831	56,476	58,171	59,916
Annual Fee Per Second Resident - 2016-2017 Fees	10,013	10,314	10,623	10,942	11,270	11,608	11,957	12,315	12,685	13,065
Annual Fee Per Unit - 2017-2018 Fees	53,165	54,760	56,403	58,095	59,838	61,633	63,482	65,387	67,348	69,369
Annual Fee Per Second Resident - 2017-2018 Fees	11,604	11,952	12,311	12,680	13,060	13,452	13,856	14,271	14,700	15,141
Per Assisted Living Resident	124,379	128,110	131,954	135,912	139,989	144,189	148,515	152,970	157,559	162,286
Per Health Care Center Resident	199,291	205,270	211,428	217,771	224,304	231,033	237,964	245,103	252,456	260,030
<b><u>Investment Income</u></b>										
Asset Base	\$12,581,563	\$12,581,563	\$12,581,563	\$12,581,563	\$12,581,563	\$12,581,563	\$12,581,563	\$12,581,563	\$12,581,563	\$12,581,563
Earnings Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Investment Income	251,631	251,631	251,631	251,631	251,631	251,631	251,631	251,631	251,631	251,631
Allocated Other Income	47,736	38,806	31,209	24,814	19,530	15,234	11,759	8,960	6,740	5,013
<b><u>EXPENSES</u></b>										
Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<b><u>Independent Living Unit</u></b>										
Per Unit	\$17,607	\$18,136	\$18,680	\$19,240	\$19,817	\$20,412	\$21,024	\$21,655	\$22,305	\$22,974
Per Resident	22,158	22,823	23,508	24,213	24,939	25,687	26,458	27,252	28,069	28,911
Per Assisted Living Resident	87,128	89,742	92,434	95,207	98,063	101,005	104,035	107,156	110,371	113,682
Per Health Care Center Resident	146,412	150,804	155,329	159,988	164,788	169,732	174,824	180,068	185,470	191,034
<b><u>Interest Expense</u></b>										
Total Interest Expense	\$3,384,344	\$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
Allocated Interest Expense	642,030	502,435	387,596	294,167	219,921	162,029	117,339	83,092	57,491	38,841

**REVENUE AND EXPENSE ASSUMPTIONS**

	YEAR									
	<u>2043</u>	<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>
<b><u>REVENUES</u></b>										
Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<b><u>Independent Living Unit</u></b>										
Annual Fee Per Unit - Grandfather	\$65,220	\$67,177	\$69,192	\$71,268	\$73,406	\$75,608	\$77,877	\$80,213	\$82,619	\$85,098
Annual Fee Per Second Resident - Grandfather	24,851	25,596	26,364	27,155	27,970	28,809	29,673	30,563	31,480	32,425
Annual Fee Per Unit - 2016-2017 Fees	61,713	63,565	65,472	67,436	69,459	71,542	73,689	75,899	78,176	80,522
Annual Fee Per Second Resident - 2016-2017 Fees	13,457	13,861	14,277	14,705	15,146	15,601	16,069	16,551	17,047	17,559
Annual Fee Per Unit - 2017-2018 Fees	71,450	73,593	75,801	78,075	80,418	82,830	85,315	87,874	90,511	93,226
Annual Fee Per Second Resident - 2017-2018 Fees	15,595	16,063	16,544	17,041	17,552	18,079	18,621	19,180	19,755	20,348
Per Assisted Living Resident	167,155	172,169	177,334	182,655	188,134	193,778	199,592	205,579	211,747	218,099
Per Health Care Center Resident	267,831	275,866	284,142	292,666	301,446	310,489	319,804	329,398	339,280	349,459
<b><u>Investment Income</u></b>										
Asset Base	\$12,581,563	\$12,581,563	\$12,581,563	\$12,581,563	\$12,581,563	\$12,581,563	\$12,581,563	\$12,581,563	\$12,581,563	\$12,581,563
Earnings Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Investment Income	251,631	251,631	251,631	251,631	251,631	251,631	251,631	251,631	251,631	251,631
Allocated Other Income	3,699	2,744	2,077	1,613	1,292	1,073	926	827	762	721
<b><u>EXPENSES</u></b>										
Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<b><u>Independent Living Unit</u></b>										
Per Unit	\$23,663	\$24,373	\$25,104	\$25,857	\$26,633	\$27,432	\$28,255	\$29,102	\$29,975	\$30,875
Per Resident	29,779	30,672	31,592	32,540	33,516	34,522	35,557	36,624	37,723	38,855
Per Assisted Living Resident	117,092	120,605	124,223	127,950	131,788	135,742	139,814	144,009	148,329	152,779
Per Health Care Center Resident	196,766	202,668	208,749	215,011	221,461	228,105	234,948	241,997	249,257	256,734
<b><u>Interest Expense</u></b>										
Total Interest Expense	\$1,742,369	\$1,524,100	\$1,294,138	\$944,847	\$797,000	\$544,250	\$278,750	\$278,750	\$278,750	\$278,750
Allocated Interest Expense	25,616	16,620	10,682	6,056	4,094	2,322	1,026	916	844	798



**PROJECTED CASH INFLOWS**

	YEAR									
	<u>2023</u>	<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>
Independent Living Units	\$12,098,648	\$10,783,667	\$9,536,795	\$8,369,779	\$7,283,765	\$6,281,796	\$5,367,827	\$4,543,624	\$3,810,542	\$3,167,376
Assisted Living Units	3,269,855	2,152,539	1,621,048	1,359,219	1,216,320	1,120,502	1,039,652	961,815	880,374	794,311
Health Care Center	6,393,008	7,372,177	7,240,292	6,766,452	6,253,198	5,761,894	5,304,512	4,860,856	4,418,012	3,980,145
Investment Income	214,011	197,437	175,161	153,725	133,758	115,362	98,611	83,504	70,011	58,114
<b>TOTAL CASH INFLOWS</b>	<b>\$21,975,521</b>	<b>\$20,505,821</b>	<b>\$18,573,297</b>	<b>\$16,649,175</b>	<b>\$14,887,040</b>	<b>\$13,279,554</b>	<b>\$11,810,602</b>	<b>\$10,449,799</b>	<b>\$9,178,939</b>	<b>\$7,999,948</b>

**PROJECTED CASH OUTFLOWS**

	YEAR									
	<u>2023</u>	<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>
Independent Living Units	\$7,815,381	\$7,109,161	\$6,409,028	\$5,727,613	\$5,070,850	\$4,445,214	\$3,857,234	\$3,311,812	\$2,813,623	\$2,365,742
Assisted Living Units	2,290,542	1,507,859	1,135,548	952,137	852,035	784,914	728,279	673,754	616,704	556,417
Health Care Center	4,696,707	5,416,067	5,319,176	4,971,063	4,593,994	4,233,051	3,897,030	3,571,092	3,245,751	2,924,066
Interest Expense	3,662,193	3,321,099	2,892,896	2,489,749	2,121,442	1,789,185	1,493,230	1,232,342	1,004,845	809,384
<b>TOTAL CASH OUTFLOWS</b>	<b>\$18,464,823</b>	<b>\$17,354,186</b>	<b>\$15,756,648</b>	<b>\$14,140,561</b>	<b>\$12,638,322</b>	<b>\$11,252,365</b>	<b>\$9,975,773</b>	<b>\$8,789,000</b>	<b>\$7,680,922</b>	<b>\$6,655,609</b>

**PROJECTED CASH INFLOWS**

	YEAR											
	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042		
Independent Living Units	\$2,610,700	\$2,134,257	\$1,728,734	\$1,385,858	\$1,098,598	\$861,206	\$667,523	\$513,209	\$393,859	\$303,023		
Assisted Living Units	703,411	611,004	521,964	438,647	363,417	296,539	237,356	184,570	138,535	101,028		
Health Care Center	3,539,734	3,104,888	2,686,624	2,294,107	1,938,497	1,628,727	1,356,060	1,106,783	877,822	674,694		
Investment Income	47,736	38,806	31,209	24,814	19,530	15,234	11,759	8,960	6,740	5,013		
<b>TOTAL CASH INFLOWS</b>	<b>\$6,901,581</b>	<b>\$5,888,956</b>	<b>\$4,968,530</b>	<b>\$4,143,426</b>	<b>\$3,420,042</b>	<b>\$2,801,707</b>	<b>\$2,272,698</b>	<b>\$1,813,521</b>	<b>\$1,416,956</b>	<b>\$1,083,758</b>		

**PROJECTED CASH OUTFLOWS**

	YEAR											
	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042		
Independent Living Units	\$1,969,773	\$1,624,717	\$1,326,333	\$1,070,425	\$853,322	\$671,949	\$522,639	\$402,882	\$309,808	\$238,718		
Assisted Living Units	492,741	428,010	365,637	307,274	254,574	207,727	166,269	129,291	97,044	70,770		
Health Care Center	2,600,512	2,281,047	1,973,763	1,685,396	1,424,142	1,196,566	996,247	813,112	644,904	495,672		
Interest Expense	642,030	502,435	387,596	294,167	219,921	162,029	117,339	83,092	57,491	38,841		
<b>TOTAL CASH OUTFLOWS</b>	<b>\$5,705,056</b>	<b>\$4,836,210</b>	<b>\$4,053,330</b>	<b>\$3,357,261</b>	<b>\$2,751,960</b>	<b>\$2,238,271</b>	<b>\$1,802,494</b>	<b>\$1,428,377</b>	<b>\$1,109,247</b>	<b>\$844,002</b>		

**PROJECTED CASH INFLOWS**

	YEAR									
	<u>2043</u>	<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>
Independent Living Units	\$235,257	\$186,087	\$151,325	\$127,318	\$111,286	\$101,027	\$94,912	\$91,810	\$90,828	\$91,206
Assisted Living Units	71,704	49,967	34,489	23,454	15,681	10,372	6,834	4,411	2,786	1,750
Health Care Center	501,232	365,745	268,077	196,815	144,843	106,892	78,926	58,523	43,736	33,678
Investment Income	3,699	2,744	2,077	1,613	1,292	1,073	926	827	762	721
<b>TOTAL CASH INFLOWS</b>	<b>\$811,893</b>	<b>\$604,543</b>	<b>\$455,968</b>	<b>\$349,200</b>	<b>\$273,103</b>	<b>\$219,364</b>	<b>\$181,598</b>	<b>\$155,572</b>	<b>\$138,112</b>	<b>\$127,355</b>

**PROJECTED CASH OUTFLOWS**

	YEAR									
	<u>2043</u>	<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>
Independent Living Units	\$185,549	\$146,902	\$119,548	\$100,641	\$88,007	\$79,920	\$75,100	\$72,659	\$71,890	\$72,194
Assisted Living Units	50,229	35,002	24,160	16,430	10,985	7,266	4,787	3,090	1,951	1,226
Health Care Center	368,237	268,699	196,946	144,593	106,411	78,529	57,984	42,995	32,131	24,742
Interest Expense	25,616	16,620	10,682	6,056	4,094	2,322	1,026	916	844	798
<b>TOTAL CASH OUTFLOWS</b>	<b>\$629,630</b>	<b>\$467,223</b>	<b>\$351,336</b>	<b>\$267,719</b>	<b>\$209,496</b>	<b>\$168,037</b>	<b>\$138,897</b>	<b>\$119,660</b>	<b>\$106,817</b>	<b>\$98,961</b>

PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)	YEAR											
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032		
Net Cash Outflows (Inflows)	(\$3,510,699)	(\$3,151,634)	(\$2,816,649)	(\$2,508,614)	(\$2,248,719)	(\$2,027,188)	(\$1,834,830)	(\$1,660,799)	#####	(\$1,344,339)		
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)	(3,417,963)	(2,908,420)	(2,463,778)	(2,079,937)	(1,767,254)	(1,510,100)	(1,295,552)	(1,111,536)	(950,322)	(808,371)		
Present Value of Net Cash Outflows	-\$21,731,497	@	5.5%									
DEPRECIATION COST	YEAR											
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032		
Depreciation	\$5,641,928	\$5,641,928	\$5,641,928	\$5,641,928	\$5,641,928	\$5,641,928	\$5,641,928	\$5,641,928	\$5,641,928	\$5,641,928		
Allocated Depreciation	4,798,429	4,426,826	3,927,351	3,446,737	2,999,036	2,586,568	2,210,996	1,872,281	1,569,753	1,303,009		

PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)	YEAR									
	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
Net Cash Outflows (Inflows)	(\$1,196,525)	(\$1,052,746)	(\$915,201)	(\$786,165)	(\$668,082)	(\$563,436)	(\$470,204)	(\$385,144)	(\$307,709)	(\$239,756)
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)	(681,979)	(568,749)	(468,663)	(381,598)	(307,375)	(245,715)	(194,366)	(150,906)	(114,280)	(84,401)
Present Value of Net Cash Outflows										
DEPRECIATION COST	YEAR									
	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
Depreciation	\$5,641,928	\$5,641,928	\$5,641,928	\$5,641,928	\$5,641,928	\$5,641,928	\$5,641,928	\$5,641,928	\$5,641,928	\$5,641,928
Allocated Depreciation	1,070,307	870,083	699,741	556,372	437,881	341,568	263,643	200,905	151,111	112,393

PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)	YEAR										
	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	
Net Cash Outflows (Inflows)	(\$182,263)	(\$137,319)	(\$104,632)	(\$81,481)	(\$63,607)	(\$51,327)	(\$42,700)	(\$35,912)	(\$31,295)	(\$28,394)	
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)	(60,817)	(43,431)	(31,368)	(23,154)	(17,132)	(13,104)	(10,333)	(8,238)	(6,804)	(5,852)	
Present Value of Net Cash Outflows											
DEPRECIATION COST	YEAR										
	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	
Depreciation	\$5,641,928	\$5,641,928	\$5,641,928	\$5,641,928	\$5,641,928	\$5,641,928	\$5,641,928	\$5,641,928	\$5,641,928	\$5,641,928	
Allocated Depreciation	82,946	61,524	46,570	36,160	28,980	24,069	20,759	18,547	17,091	16,159	

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

Present Value of Net Cash Outflows	
Less:	
Unamortized deferred revenue at March 31, 2022	-\$21,731,000
Plus:	
Allocable depreciation	31,675,000
Unamortized costs of acquiring initial continuing-care contracts	34,198,000
	0
Obligation to provide future services and the use of facilities to current residents	-\$16,472,000

## Appendix A4

### Summary of Calculation of Obligation to Provide Future Service as of March 31, 2022

(CCRC @ Home Program)





Navigation by Salemtowne

Calculation of the Obligation  
To Provide Future Services

HEALTH CARE AUDIT GUIDELINE

As of March 31, 2022

Report Date: JUNE 1, 2022

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Section III- FUTURE SERVICE OBLIGATION CALCULATION .....	5

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

Continuing Care Actuaries, LLC ("Continuing Care Actuaries") was engaged by Navigation by Salemtowne 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, 2022. This report includes an actuarial based financial projection that measures Navigation by Salemtowne'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 by Salemtowne's member demographic experience for the historical period of September 2014 through March 2022 and the Continuing Care Actuaries' demographic database for at Home members. This information was then aggregated to create reasonable assumptions consistent with Navigation by Salemtowne'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 by Salemtowne'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 by 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 amount of the Obligation.

Navigation by Salemtowne management representatives provided data regarding resident ages and permanent living location. Assumptions regarding expected mortality and morbidity were derived from actual Navigation by Salemtowne historical data and the Continuing Care Actuaries' at Home database. Financial information regarding revenues and expenses was provided by Navigation by Salemtowne management and consisted of the Navigation by Salemtowne budget for fiscal year 2023. 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 by Salemtowne as of March 31, 2022 to be (\$2,944,223) 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 by Salemtowne'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, 2022 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 by Salemtowne management supplied Continuing Care Actuaries with revenue and expense information based on their fiscal year 2023 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 2023**

Home Per Member	\$9,038
Assisted Living Per Member	16,543
Skilled Nursing Per Member	36,584
At Home CoPays Per Member	612

**ANNUAL EXPENSES FISCAL YEAR 2023**

Home Per Member	\$2,208
Care Costs Per Member	2,482
Assisted Living Per Member	67,051
Skilled Nursing Per Member	148,278

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	\$2,776,784

### **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.

RESIDENT LEVEL OF CARE INFORMATION	YEAR										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	
Total Community Occupancy Projection											
At Home Members	116.8	135.4	152.4	168.1	182.5	195.6	207.4	217.9	227.3	235.5	
Total Member Homes	86.4	98.8	110.5	121.6	132.0	141.7	150.6	158.8	166.2	172.9	
Assisted Living - Lifecare	0.3	0.8	1.2	1.4	1.7	2.0	2.2	2.4	2.5	2.7	
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Assisted Living - Direct Admits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Assisted Living - Total	0.3	0.8	1.2	1.4	1.7	2.0	2.2	2.4	2.5	2.7	
Health Care Center - Lifecare	0.1	0.3	0.6	0.9	1.2	1.6	1.9	2.3	2.6	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	
Health Care Center - Direct Admits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Health Care Center - Total	0.1	0.3	0.6	0.9	1.2	1.6	1.9	2.3	2.6	2.9	
Total Residents	117.1	136.5	154.2	170.5	185.4	199.1	211.5	222.6	232.4	241.1	
Closed Group Occupancy Projection											
At Home Members	104.9	100.3	95.0	89.4	83.6	77.7	71.9	66.0	60.2	54.6	
Total Member Homes	78.9	76.4	73.4	70.1	66.6	62.9	59.1	55.1	51.0	46.9	
Assisted Living - Lifecare	0.3	0.7	0.9	1.0	1.0	1.0	1.0	1.0	0.9	0.9	
Assisted Living - Lifecare Second Persons	0.1	0.4	0.5	0.5	0.5	0.4	0.4	0.3	0.3	0.3	
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	0.2	0.5	0.7	0.9	1.1	1.2	1.2	1.3	1.2	
Health Care Center - Lifecare Second Persons	0.0	0.1	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.3	
Health Care Center - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total Residents	105.3	101.3	96.4	91.1	85.5	79.8	74.0	68.2	62.4	56.7	



RESIDENT LEVEL OF CARE INFORMATION	YEAR									
	<u>2033</u>	<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>Total Community Occupancy Projection</u>										
At Home Members	242.7	248.8	253.9	258.2	261.7	264.4	266.5	268.1	269.2	269.9
Total Member Homes	178.8	183.9	188.3	192.1	195.2	197.7	199.6	201.1	202.2	203.0
Assisted Living - Lifecare	2.9	3.1	3.2	3.4	3.6	3.7	3.8	3.9	4.0	4.1
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assisted Living - Direct Admits	<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	3.4	3.6	3.7	3.8	3.9	4.0	4.1
Health Care Center - Lifecare	3.1	3.3	3.5	3.7	3.8	4.0	4.0	4.1	4.2	4.2
Health Care Center - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Direct Admits	<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	3.3	3.5	3.7	3.8	4.0	4.0	4.1	4.2	4.2
Total Residents	248.7	255.2	260.7	265.3	269.1	272.1	274.4	276.1	277.4	278.2
<u>Closed Group Occupancy Projection</u>										
At Home Members	49.2	43.9	38.9	34.2	29.9	25.8	22.1	18.7	15.7	13.0
Total Member Homes	42.8	38.8	34.8	31.0	27.3	23.9	20.6	17.6	14.9	12.4
Assisted Living - Lifecare	0.8	0.8	0.8	0.7	0.7	0.6	0.6	0.5	0.5	0.4
Assisted Living - Lifecare Second Persons	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	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	1.2	1.1	1.1	1.0	0.9	0.8	0.7	0.6	0.5	0.4
Health Care Center - Lifecare Second Persons	0.3	0.3	0.2	0.2	0.2	0.1	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	51.2	45.9	40.8	35.9	31.4	27.2	23.4	19.8	16.7	13.8

RESIDENT LEVEL OF CARE INFORMATION	YEAR									
	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052
Total Community Occupancy Projection										
At Home Members	270.3	270.5	270.5	270.3	270.1	269.9	269.6	269.2	268.9	268.6
Total Member Homes	203.4	203.6	203.7	203.6	203.5	203.3	203.1	202.8	202.6	202.4
Assisted Living - Lifecare	4.1	4.2	4.2	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assisted Living - Direct Admits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assisted Living - Total	4.1	4.2	4.2	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Health Care Center - Lifecare	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Health Care Center - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Direct Admits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Total	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Total Residents	278.7	279.0	279.0	278.9	278.7	278.5	278.2	277.9	277.6	277.3
Closed Group Occupancy Projection										
At Home Members	10.6	8.6	6.8	5.4	4.1	3.2	2.4	1.8	1.3	0.9
Total Member Homes	10.3	8.3	6.7	5.3	4.1	3.1	2.4	1.7	1.3	0.9
Assisted Living - Lifecare	0.4	0.3	0.3	0.2	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	0.2	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Residents	11.3	9.2	7.3	5.8	4.5	3.4	2.6	1.9	1.4	1.0

**REVENUE AND EXPENSE  
ASSUMPTIONS**

	YEAR									
	<u>2023</u>	<u>2024</u> 3.0%	<u>2025</u> 3.0%	<u>2026</u> 3.0%	<u>2027</u> 3.0%	<u>2028</u> 3.0%	<u>2029</u> 3.0%	<u>2030</u> 3.0%	<u>2031</u> 3.0%	<u>2032</u> 3.0%
<b>REVENUES</b>										
Inflation										
Home Per Member	\$9,038	\$9,310	\$9,589	\$9,877	\$10,173	\$10,478	\$10,792	\$11,116	\$11,450	\$11,793
Per Assisted Living Resident	16,543	17,040	17,551	18,077	18,620	19,178	19,754	20,346	20,957	21,585
Per Health Care Center Resident	36,584	37,682	38,812	39,977	41,176	42,411	43,684	44,994	46,344	47,734
Home Care Copays Per Member	612	843	990	1,064	1,130	1,204	1,286	1,374	1,468	1,568
<b>Investment &amp; Other Income</b>										
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	\$2,208	\$1,961	\$2,349	\$2,194	\$2,082	\$2,001	\$1,943	\$1,904	\$1,881	\$1,869
Care Costs Per Member	2,482	3,415	4,012	4,311	4,580	4,881	5,210	5,567	5,950	6,357
Per Assisted Living Resident	67,051	69,062	71,134	73,268	75,466	77,730	80,062	82,464	84,938	87,486
Per Health Care Center Resident	148,278	152,726	157,308	162,027	166,888	171,895	177,052	182,363	187,834	193,469

**PROJECTED CASH INFLOWS**

	YEAR									
	<u>2023</u>	<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>
Member Homes	\$713,321	\$711,571	\$704,196	\$692,781	\$677,802	\$659,319	\$637,406	\$612,228	\$584,032	\$553,149
Assisted Living	4,582	12,043	15,571	17,185	18,921	19,613	19,773	19,426	18,727	18,768
Health Care Center	2,002	8,903	19,132	29,023	37,383	44,742	50,703	55,232	58,313	59,434
Investment Income	0	0	0	0	0	0	0	0	0	0
Home Care CoPays	64,273	84,548	94,036	95,075	94,465	93,606	92,369	90,666	88,436	85,646
<b>TOTAL CASH INFLOWS</b>	784,178	817,064	832,935	834,065	828,570	817,279	800,252	777,551	749,507	716,997

**PROJECTED CASH OUTFLOWS**

	YEAR									
	<u>2023</u>	<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>
Member Homes	\$231,726	\$196,775	\$223,141	\$196,067	\$174,006	\$155,516	\$139,633	\$125,709	\$113,296	\$102,087
At Home Care	260,502	342,676	381,133	385,343	382,869	379,388	374,376	367,473	358,432	347,127
Assisted Living	18,570	48,810	63,108	69,650	76,686	79,493	80,142	78,734	75,899	76,066
Health Care Center	8,115	36,083	77,543	117,633	151,514	181,339	205,502	223,855	236,343	240,888
<b>TOTAL CASH OUTFLOWS</b>	518,913	624,344	744,924	768,694	785,075	795,735	799,653	795,770	783,972	766,168

REVENUE AND EXPENSE  
ASSUMPTIONS

REVENUES	YEAR											
	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042		
Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%		
Home Per Member	\$12,147	\$12,511	\$12,887	\$13,273	\$13,671	\$14,082	\$14,504	\$14,939	\$15,387	\$15,849		
Per Assisted Living Resident	22,233	22,900	23,587	24,294	25,023	25,774	26,547	27,344	28,164	29,009		
Per Health Care Center Resident	49,166	50,641	52,161	53,726	55,337	56,997	58,707	60,469	62,283	64,151		
Home Care Copays Per Member	1,674	1,777	1,876	1,971	2,062	2,170	2,275	2,376	2,474	2,567		
Investment & Other Income												
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	\$1,869	\$1,878	\$1,895	\$1,919	\$1,951	\$1,988	\$2,032	\$2,081	\$2,134	\$2,192		
Care Costs Per Member	6,786	7,201	7,602	7,988	8,358	8,795	9,220	9,631	10,026	10,403		
Per Assisted Living Resident	90,111	92,814	95,598	98,466	101,420	104,463	107,597	110,825	114,149	117,574		
Per Health Care Center Resident	199,273	205,251	211,409	217,751	224,284	231,012	237,943	245,081	252,433	260,006		

PROJECTED CASH INFLOWS

	YEAR											
	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042		
Member Homes	\$519,975	\$484,953	\$448,561	\$411,297	\$373,672	\$336,195	\$299,361	\$263,643	\$229,480	\$197,275		
Assisted Living	18,799	18,683	18,396	17,941	17,330	16,578	15,701	14,718	13,646	12,503		
Health Care Center	59,252	58,021	54,890	51,630	49,143	45,699	40,525	35,773	32,498	28,657		
Investment Income	0	0	0	0	0	0	0	0	0	0		
Home Care CoPays	82,297	78,031	73,038	67,494	61,570	55,982	50,217	44,423	38,736	33,277		
TOTAL CASH INFLOWS	680,323	639,688	594,885	548,361	501,714	454,453	405,804	358,557	314,359	271,713		

PROJECTED CASH OUTFLOWS

	YEAR											
	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042		
Member Homes	\$91,862	\$82,464	\$73,779	\$65,726	\$58,245	\$51,296	\$44,852	\$38,896	\$33,421	\$28,425		
At Home Care	333,552	316,263	296,025	273,553	249,545	226,896	203,530	180,049	156,997	134,874		
Assisted Living	76,194	75,722	74,559	72,715	70,237	67,189	63,637	59,651	55,306	50,674		
Health Care Center	240,151	235,161	222,470	209,258	199,176	185,218	164,249	144,991	131,715	116,149		
TOTAL CASH OUTFLOWS	741,758	709,610	666,833	621,253	577,204	530,599	476,268	423,587	377,439	330,123		

**REVENUE AND EXPENSE  
ASSUMPTIONS**

	YEAR									
	<u>2043</u>	<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>
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	\$16,324	\$16,814	\$17,319	\$17,838	\$18,373	\$18,924	\$19,492	\$20,077	\$20,679	\$21,300
Per Assisted Living Resident	29,879	30,776	31,699	32,650	33,629	34,638	35,677	36,748	37,850	38,986
Per Health Care Center Resident	66,076	68,058	70,100	72,203	74,369	76,600	78,898	81,265	83,703	86,214
Home Care Copays Per Member	2,655	2,740	2,820	2,897	2,971	3,042	3,112	3,180	3,249	3,317
<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	\$2,255	\$2,321	\$2,391	\$2,464	\$2,540	\$2,618	\$2,700	\$2,784	\$2,871	\$2,960
Care Costs Per Member	10,762	11,105	11,430	11,742	12,040	12,329	12,612	12,890	13,167	13,443
Per Assisted Living Resident	121,101	124,734	128,476	132,330	136,300	140,389	144,601	148,939	153,407	158,010
Per Health Care Center Resident	267,807	275,841	284,116	292,639	301,419	310,461	319,775	329,368	339,249	349,427

**PROJECTED CASH INFLOWS**

	YEAR									
	<u>2043</u>	<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>
Member Homes	\$167,385	\$140,089	\$115,581	\$93,960	\$75,215	\$59,277	\$45,983	\$35,072	\$26,267	\$19,270
Assisted Living	11,309	10,089	8,869	7,676	6,555	5,499	4,515	3,654	2,912	2,315
Health Care Center	23,827	19,636	16,856	13,954	11,265	8,925	6,923	5,251	3,910	2,876
Investment Income	0	0	0	0	0	0	0	0	0	0
Home Care CoPays	28,155	23,454	19,231	15,517	12,318	9,620	7,391	5,583	4,140	3,007
TOTAL CASH INFLOWS	230,676	193,268	160,537	131,107	105,354	83,320	64,813	49,559	37,229	27,468

**PROJECTED CASH OUTFLOWS**

	YEAR									
	<u>2043</u>	<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>
Member Homes	\$23,908	\$19,869	\$16,302	\$13,196	\$10,530	\$8,280	\$6,413	\$4,887	\$3,659	\$2,684
At Home Care	114,113	95,059	77,943	62,892	49,923	38,988	29,958	22,627	16,779	12,187
Assisted Living	45,837	40,891	35,946	31,111	26,569	22,287	18,300	14,810	11,802	9,384
Health Care Center	96,570	79,586	68,317	56,557	45,658	36,172	28,060	21,282	15,847	11,655
TOTAL CASH OUTFLOWS	280,429	235,405	198,508	163,757	132,681	105,728	82,731	63,606	48,087	35,910

PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)	YEAR										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	
Net Cash Outflows (Inflows)	(\$265,265)	(\$192,720)	(\$88,011)	(\$65,371)	(\$43,495)	(\$21,544)	(\$599)	\$18,219	\$34,465	\$49,171	
Discount Rate	0.974	0.923	0.875	0.829	0.786	0.745	0.706	0.669	0.634	0.601	
5.50%											
Present Value of Net Cash Outflows (Inflows)	(258,258)	(177,848)	(76,985)	(54,201)	(34,182)	(16,049)	(423)	12,194	21,864	29,567	
Present Value of Net Cash Outflows	(167,439)										
DEPRECIATION COST	YEAR										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	
Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Allocated Depreciation	0	0	0	0	0	0	0	0	0	0	

PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)	YEAR									
	<u>2033</u>	<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>
Net Cash Outflows (Inflows)	\$61,435	\$69,922	\$71,949	\$72,891	\$75,490	\$76,146	\$70,464	\$65,030	\$63,080	\$58,410
Discount Rate	0.570	0.540	0.512	0.485	0.460	0.436	0.413	0.392	0.371	0.352
5.50%										
Present Value of Net Cash Outflows (Inflows)	35,016	37,775	36,844	35,381	34,732	33,207	29,127	25,480	23,427	20,562
Present Value of Net Cash Outflows										
DEPRECIATION COST	YEAR									
	<u>2033</u>	<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>
Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allocated Depreciation	0	0	0	0	0	0	0	0	0	0

PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)	YEAR									
	<u>2043</u>	<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>
Net Cash Outflows (Inflows)	\$49,753	\$42,137	\$37,971	\$32,649	\$27,328	\$22,407	\$17,918	\$14,046	\$10,858	\$8,442
Discount Rate	0.334	0.316	0.300	0.284	0.269	0.255	0.242	0.229	0.217	0.206
5.50%										
Present Value of Net Cash Outflows (Inflows)	16,601	13,327	11,383	9,278	7,361	5,721	4,336	3,222	2,361	1,740
Present Value of Net Cash Outflows										
DEPRECIATION COST	YEAR									
	<u>2043</u>	<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>
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	(\$167,439)
Less:	
Unamortized deferred revenue at March 31, 2022	2,776,784
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	(2,944,223)

## Appendix A5

Independent Accountants' Compilation Report  
as of August 28, 2022  
for the years ending 2023 through 2027.

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

Compilation of a Financial Forecast

For Each of the Five Years  
Ending March 31, 2027

(with Independent Accountants'  
Compilation Report thereon)

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

Compilation of a Financial Forecast

Five Years Ending March 31, 2027

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## 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, 2027 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"). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services ("SSARS") promulgated by the Accounting and Review Services Committee of the AICPA.

We did not examine or review the 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 forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

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

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

**FORVIS,LLP**

Atlanta, Georgia  
August 26, 2022

**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)

	2023	2024	2025	2026	2027
<b>Revenue, gains, and other support:</b>					
Independent living revenue	\$ 8,878	\$ 9,526	\$ 10,176	\$ 10,624	\$ 11,090
Home health, assisted living, memory care, and nursing revenue	18,488	19,245	20,097	20,750	21,427
Amortization of deferred entrance fees	5,133	4,522	4,613	4,705	4,799
Contributions	444	453	462	472	481
Investment income	376	375	330	303	306
Other support	563	580	597	615	634
Employee retention credit grant income	5,104	-	-	-	-
Navigation at Home program:					
Amortization of membership fees	280	202	210	218	227
Net resident service revenue	683	704	725	746	769
Other income	1,047	1,079	1,111	1,144	1,179
Total revenue, gains, and other support	40,996	36,686	38,321	39,577	40,912
<b>Expenses:</b>					
Program services - provision for housing and related services:					
Healthcare, assisted living and clinic expenses	10,113	11,304	11,643	11,992	12,352
Environmental services expenses	4,677	4,893	5,040	5,191	5,347
Dining services	4,562	4,722	4,864	5,010	5,160
Life enrichment expenses	760	722	744	766	789
Interest expense and amortization	4,448	4,307	4,202	4,121	4,037
Depreciation	6,213	6,009	5,757	5,406	5,088
Administration and general	7,983	8,217	8,463	8,717	8,979
Total expenses	38,756	40,174	40,713	41,203	41,752
Operating income (loss)	2,240	(3,488)	(2,392)	(1,626)	(840)
Net assets with donor restrictions:					
Contributions	208	212	216	221	225
Investment income	64	66	67	69	70
Net assets released from restrictions	(356)	(363)	(370)	(377)	(385)
Increase (decrease) in net assets with donor restrictions	(84)	(85)	(87)	(87)	(90)
Change in net assets	2,156	(3,573)	(2,479)	(1,713)	(930)
Net assets, beginning of year	6,680	8,836	5,263	2,784	1,071
Net assets, end of year	8,836	5,263	2,784	1,071	141

**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)

	2023	2024	2025	2026	2027
<b>Cash flows from operating activities:</b>					
Change in net assets	2,156	(3,573)	(2,479)	(1,713)	(930)
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation	6,213	6,009	5,757	5,406	5,088
Amortization of bond premium and discount	46	46	46	46	46
Amortization of deferred entrance fees	(5,413)	(4,724)	(4,823)	(4,923)	(5,026)
Net changes in:					
Accounts receivable	284	(22)	(44)	(34)	(38)
Prepaid expense and other current assets	(18)	(18)	(19)	(19)	(18)
Accounts payable and accrued expenses	(81)	164	64	65	66
Entrance Fees received from re-occupancy (non-refundable)	3,696	4,649	5,036	5,972	6,295
Entrance Fees received from re-occupancy (non-refundable) - Navigation	1,350	1,391	1,432	1,475	1,520
Net cash provided by operating activities	8,233	3,922	4,970	6,275	7,003
<b>Cash flows from investing activities:</b>					
Purchase of property and equipment	(3,113)	(2,541)	(2,661)	(2,752)	(2,846)
Change in Designated for Statutory Operating Reserve fund	(297)	(884)	249	(224)	(238)
Change in investments	257	2,843	854	53	(138)
Net cash used in investing activities	(3,153)	(582)	(1,558)	(2,923)	(3,222)
<b>Cash flows from financing activities</b>					
Refunds of Entrance Fees	(946)	(681)	(486)	(433)	(441)
Refunds of Entrance Fees - Navigation	(30)	(32)	(26)	(21)	(20)
Proceeds from Note Payable	646	-	-	-	-
Principal payment of Line of Credit	(1,100)	-	-	-	-
Principal payments on debt - Note Payable	(47)	(1,890)	(26)	-	-
Principal payments on debt - Bond Obligations	(1,530)	(1,605)	(1,680)	(1,765)	(1,845)
Net cash used in financing activities	(3,007)	(4,208)	(2,218)	(2,219)	(2,306)
Change in cash, cash equivalents, and restricted cash	2,073	(868)	1,194	1,133	1,475
Cash, cash equivalents, and restricted cash at beginning of year	10,282	12,355	11,487	12,681	13,814
Cash, cash equivalents, and restricted cash at end of year	12,355	11,487	12,681	13,814	15,289
<b>Reconciliation of cash, cash equivalents, and restricted cash:</b>					
Cash and cash equivalents	3,543	2,674	3,864	4,997	6,469
Assets limited as to use, current	2,955	2,956	2,960	2,960	2,963
Debt service reserve funds	5,857	5,857	5,857	5,857	5,857
Cash, cash equivalents, and restricted cash	12,355	11,487	12,681	13,814	15,289

**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)

	2023	2024	2025	2026	2027
<b>Assets</b>					
Current assets					
Cash and cash equivalents	3,543	2,674	3,864	4,997	6,469
Assets limited as to use, current	2,955	2,956	2,960	2,960	2,963
Accounts receivable	933	956	1,001	1,035	1,071
Other receivable	624	637	649	662	676
Total current assets	8,055	7,223	8,474	9,654	11,179
Investments	12,530	9,687	8,833	8,780	8,918
Assets limited as to use:					
Designated for Statutory Operating Reserve fund	7,060	7,944	7,695	7,919	8,157
Debt service reserve funds	5,857	5,857	5,857	5,857	5,857
Total assets limited as to use	12,917	13,801	13,552	13,776	14,014
Property and equipment, gross	151,786	154,327	156,988	159,740	162,586
Less: accumulated depreciation	(54,646)	(60,656)	(66,412)	(71,819)	(76,909)
Property and equipment, net	97,140	93,671	90,576	87,921	85,677
Assets in split-interest agreements	920	920	920	920	920
Other assets	292	298	304	310	316
Total assets	131,854	125,600	122,659	121,361	121,024
<b>Liabilities and Net Assets</b>					
Current liabilities					
Accounts payable	1,355	1,440	1,483	1,527	1,573
Accrued expenses	1,847	1,963	2,022	2,083	2,145
Accrued interest payable	2,153	2,116	2,078	2,038	1,995
Refundable Entrance Fees	285	285	285	285	285
Current maturities of long-term debt	1,605	1,680	1,765	1,845	1,935
Other current liabilities	33	33	33	33	33
Total current liabilities	7,278	7,517	7,666	7,811	7,966
Long-term liabilities:					
Long-term debt, net of current portion	80,150	78,516	76,797	74,997	73,108
Note Payable	1,915	26	-	-	-
Total long-term debt, net of financing costs	82,065	78,542	76,797	74,997	73,108
Deposits	488	488	488	488	488
Lease obligation	6	6	6	6	6
Deferred revenue from membership fees - Navigation	4,293	5,683	7,116	8,591	10,111
Deferred revenue from entrance fees	28,888	28,101	27,802	28,397	29,204
Total liabilities	123,018	120,337	119,875	120,290	120,883
Net Assets					
Without donor restrictions	4,739	1,251	(1,141)	(2,767)	(3,607)
With donor restrictions	4,097	4,012	3,925	3,838	3,748
Total liabilities and net assets	131,854	125,600	122,659	121,361	121,024

**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, 2027**

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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, 2027. Accordingly, the accompanying forecast reflects Management’s judgment as of August 26, 2022, 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 Memory Support Units and the Nursing Beds opened in July 2017. 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 2022, 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 June 1, 2022.

**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	\$79,600 – 97,200	\$2,396
Winston A (2 bedroom)	17	790	\$107,100 – 118,400	\$2,701
West End (1 bedroom, den & laundry)	3	790	\$107,100 – 116,200	\$2,701
Buena Vista (2 bedroom, den & laundry)	5	1,055	\$148,800 – 161,400	\$3,017
<i>Driscoll Building Apartments</i>				
Reynolda (1 bedroom)	15	751	\$137,000 – 173,400	\$2,847
Sherwood (1 bedroom w/den)	9	936	\$163,500 – 177,300	\$3,164
Piedmont (2 bedroom)	21	1,073	\$203,800 – 218,100	\$3,562
Brookstown (2 bedroom corner)	4	1,107	\$208,000 – 214,300	\$3,568
Twin City (2 bedroom w/den)	10	1,240	\$218,200 – 229,700	\$3,822
<i>Woodlands Apartments</i>				
Beech (1 bedroom w/ den)	16	1,215	\$204,400 – 242,400	\$3,713
Dogwood (2 bedroom)	8	1,395	\$279,600 – 329,700	\$3,893
Hawthorne (2 bedroom)	8	1,490	\$280,900 – 351,400	\$3,989
Pine (2 bedroom w/ den)	8	1,640	\$338,100 – 409,200	\$4,155
Sycamore (2 bedroom w/ sunroom)	8	1,750	\$332,700 – 430,600	\$4,322
Willow (2 bedroom w/ sunroom)	8	1,875	\$397,000 – 484,200	\$4,405
<b>Total Independent Living Apartments</b>	<b>148</b>			
<b>Independent Living Cottages</b>				
<i>Wachovia Village</i>				
Hatteras (2 bedroom)	7	1,172	\$182,400 – 190,00	\$3,233
Emerald (2 bedroom w/den)	15	1,356	\$218,900 – 222,200	\$3,370
<i>Salem Village</i>				
Bethania (2 bedroom w/den)	2	1,533	\$286,500 – 292,000	\$3,698
Hickory (2 bedroom w/sunroom/den)	10	1,560 – 1,755	\$279,000 – 341,300	\$3,763 – 4,147
Catawba (2-3 bedroom w/den & sunroom)	19	1,678 – 3,210	\$299,700 – 500,000	\$3,963 – 4,686
<i>Bethabara Place</i>				
Mitchell (2 bedroom)	1	1,440	\$302,800	\$3,761
Shenandoah (2 bedroom w/den)	4	1,617 – 1,698	\$341,800 – 358,900	\$3,960 – 4,092
Appalachian (2 bedroom w/sunroom)	7	1,640 – 1,700	\$446,600 – 359,300	\$4,025 – 4,099
Rutherford (2 bedroom w/den & sunroom)	7	1,817 – 2,259	\$374,800 – 449,300	\$4,355 – 5,033
Watauga (2 bedroom w/den & sunroom)	1	2,400	\$499,700	\$4,906
<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 June 1, 2022. Second person Entrance Fees are assumed to be \$10,000. Additionally, second person Monthly Fees are \$996 for the Independent Living Apartments - Vogler Building/Bahnson Hall and Driscoll Building Apartments and \$779 for the Independent Living Apartments - Woodlands and 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 Community previously offered three Entrance Fee plans under the Residency Agreement: a declining refundable Entrance Fee plan (the “Traditional Amortizing Plan,” shown in the table for Entrance Fees and Monthly Fees), a 50% refundable plan (the “50% Refundable Plan”), and a 90% refundable plan (the “90% Refundable Plan”). The Community no longer offers the 50% Refundable Plan and the 90% Refundable Plan.
- (3) Independent Living 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 \$3,087 for the Independent Living Apartments and \$3,861 for the Independent Living Cottages as of June 1, 2022. Second person occupants pay an additional average fee of \$813 in the Independent Living Apartments and \$596 in the Independent Living Cottages as of June 1, 2022. 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 \$2,929 for the Independent Living Apartments and \$3,691 for the Independent Living Cottages as of June 1, 2022. The second person Monthly Fee averages \$813 in the Independent Living Apartments and \$596 in the Independent Living Cottages as of June 1, 2022. 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 224 Independent Living Units shown, the Community has two 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 June 1, 2022.

**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	17	22	262	\$5,801
Assisted living suite	15	24	524	\$7,695 <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	270 – 300	\$9,445
<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	270 – 300	\$406
<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. Residents on the current fee program 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 \$278 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 room rate of \$5,801.
- (4) Management has completed combinations of assisted living rooms to create larger suites. As of July 31, 2022, 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. Certain contract residents who transferred from the previously operating nursing beds receive a discount of 20% on the Daily Fee. 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 Navigation at Home (“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**

<b>Service</b>	<b>All Inclusive</b>	<b>Enhanced</b>	<b>Classic</b>	<b>Access</b>
	Percentage of Service Cost Covered			
Care Coordination	100%	100%	100%	100%
Home Health Aide	100%	85%	50%	65%
Companion Care	100%	85%	50%	65%
Live-in Companion	100%	85%	50%	65%
Adult Day Care	100%	85%	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%	70%	50%	0%
Nursing Home Care	100%	70%	50%	0%

Source: Management

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 June 1, 2022

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

	<u>All Inclusive</u>	<u>Enhanced</u>	<u>Classic</u>	<u>Access</u>
Age	Single <sup>(1)</sup>	Single <sup>(1)</sup>	Single <sup>(1)</sup>	Single <sup>(1)</sup>
65	\$38,853	\$31,430	\$25,757	\$23,385
75	\$62,967	\$51,529	\$40,115	\$36,416
85	\$88,383	\$72,451	\$54,833	\$47,578
Monthly Fee	\$664	\$581	\$511	\$484

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”), based upon the Actuary’s experience with similar programs.

## 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 (the “Residence”) 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, and (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	47	13.4%	N/A
50% Refundable Plan	–	0.0%	N/A
90% Refundable Plan	–	0.0%	N/A
Second persons	3	0.9%	N/A
<i>Between May 1, 2014 and May 31, 2017</i>			
Traditional Amortizing Plan	66	18.9%	N/A
50% Refundable Plan	1	0.3%	N/A
90% Refundable Plan	6	1.7%	N/A
Second persons	25	7.1%	N/A
<i>June 1, 2017 to current</i>			
Traditional Amortizing Plan	145	41.4%	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	55	15.7%	N/A
<b>Total</b>	<b>350</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Management

N/A – Not Applicable

(1) Includes all Residents at the Community as of July 31, 2022.

(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 Residence is reserved by a prospective Resident and such prospective Resident 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 transferring from the Independent Living Units are to receive the following benefits:

- Priority admission to the Health Center; and
- Twenty percent discount on 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 beds are available in excess of those needed to satisfy the needs of 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 Services*

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, and (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 Community is able to meet its contractual obligations to provide continuing care.

- (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.

- (i) Deferred Marketing Costs - The Corporation capitalizes incremental costs of acquiring contracts and amortizes such costs over the estimated term of the related contract.
- (j) 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.
- (k) 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.
- (l) 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.
- (m) 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.
- (n) 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.

- (o) 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 historical experience at the Community.
- (p) Revenue Recognition - Management has implemented ASU No. 2014-09 “Revenue from Contracts with Customers” and recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance in ASU 2014-09 supersedes the FASB’s prior revenue recognition requirements and most industry-specific guidance. For purposes of the forecast, Management has implemented ASU 2014-09.
- (q) Lease Accounting - The Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-02, Lease Accounting Standard in February 2016. ASU 2016-02 requires all leases with lease terms over twelve months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of operations. The Corporation is currently in the process of evaluating the impact of adoption of this ASU and has not made final determinations. Therefore, for purposes of the forecast ASU 2016-02 has not been implemented by the Corporation.



**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 7.0 percent on June 1, 2023, 5.0 percent on April 1, 2024, and 4.0 percent on April 1, 2025, and April 1, 2026.

*Assumed Independent Living Unit Utilization*

The Independent Living Apartments and the Independent Living Cottages are assumed to achieve and maintain an overall 95 percent occupancy level during the forecast period. The following table summarizes the forecasted utilization of the Independent Living Apartments and the Independent Living Cottages.

**Table 6**  
**Utilization of the Independent Living Units**

Years ended	Independent Living Apartments			Independent Living Cottages			Total ILU
	Occupied	Available	% Occupied	Occupied	Available	% Occupied	% Occupied
<i>Historical</i>							
March 31, 2021	129.5	151.0	85.8%	70.3	73.0	96.3%	89.2%
2022	143.6	151.0	95.1%	69.4	73.0	95.1%	95.1%
2023 <sup>(1) (2)</sup>	145.2	148.0	98.1%	67.5	73.0	92.5%	96.2%
<i>Forecasted</i>							
2023	142.8	148.0	96.5%	69.4	73.0	95.1%	96.0%
2024	142.8	148.0	96.5%	69.4	73.0	95.1%	96.0%
2025	142.8	148.0	96.5%	69.4	73.0	95.1%	96.0%
2026	142.8	148.0	96.5%	69.4	73.0	95.1%	96.0%
2027	142.8	148.0	96.5%	69.4	73.0	95.1%	96.0%

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 four months ending July 31, 2022.

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 45 percent in 2023 and 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)**

<b>Fiscal Year Ending March 31,</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
<b><i>Fees Received</i></b>					
<u><i>Membership Fees for Navigation at Home <sup>(1)</sup></i></u>					
Number of Membership Fees received	24.0	24.0	24.0	24.0	24.0
Membership Fees received	\$1,350	\$1,391	\$1,432	\$1,475	\$1,520
<u><i>Turnover:</i></u>					
Number of Entrance Fees received	21.1	27.3	28.6	32.2	32.9
Entrance Fees received	\$3,696	\$4,649	\$5,036	\$5,972	\$6,295
<b>Total Fees Received</b>	<b>\$5,046</b>	<b>\$6,040</b>	<b>\$6,468</b>	<b>\$7,447</b>	<b>\$7,815</b>
<b><i>Fees Refunded</i></b>					
Membership Fee Refunds	(30)	(32)	(26)	(21)	(20)
CCRC Entrance Fee Refunds	(946)	(681)	(486)	(433)	(441)
<b>Total Fees Refunded</b>	<b>\$ (976)</b>	<b>\$ (713)</b>	<b>\$ (512)</b>	<b>\$ (454)</b>	<b>\$ (461)</b>
<b>Total Entrance Fees and Membership Fees Received, Net of Refunds</b>	<b>\$4,070</b>	<b>\$5,327</b>	<b>\$5,956</b>	<b>\$6,993</b>	<b>\$7,354</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 and Membership Fees for the Navigation at Home program are assumed to increase 3.5 percent and 3.0 percent annually, respectively 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 and Memory Support Units inflate 7.0 percent on June 1, 2023, 5.0 percent on April 1, 2024, and 4.0 percent on April 1, 2025, and April 1, 2026. 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>						
2021 <sup>(1)</sup>	30.8	34.0	90.6%	18.4	20.0	92.0%
2022 <sup>(2)</sup>	30.5	32.0	95.3%	19.6	20.0	98.0%
2023 <sup>(3)</sup>	28.6	32.0	89.4%	18.9	20.0	94.5%
<i>Forecasted</i>						
2023	30.4	32.0	95.0%	19.0	20.0	95.0%
2024	30.4	32.0	95.0%	19.0	20.0	95.0%
2025	30.4	32.0	95.0%	19.0	20.0	95.0%
2026	30.4	32.0	95.0%	19.0	20.0	95.0%
2027	30.4	32.0	95.0%	19.0	20.0	95.0%

Source: Management

- (1) During fiscal year 2021, the Assisted Living Units were reconfigured to 22 rooms and 12 larger suites, for a total of 34 units (with 46 licensed beds).
- (2) During fiscal year 2022, the Assisted Living Units were further reconfigured to 18 rooms and 14 larger suites, for a total of 32 units (with 46 licensed beds).
- (3) Year to date occupancy is for the four months ending July 31, 2022.

*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 7.0 percent on June 1, 2023, 5.0 percent on April 1, 2024, and 4.0 percent on April 1, 2025, and April 1, 2026. Management assumes the Daily Fees for Medicare, Medicaid, and insurance increase 2.0 percent on June 1, 2023, and annually thereafter. The following table summarizes the average historical and assumed utilization of the Nursing Beds.

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

<b>Year Ending March 31,</b>	<b>Average Private Residents</b>	<b>Average Medicaid Residents</b>	<b>Average Medicare &amp; Insurance Residents</b>	<b>Average Nursing Beds Occupied</b>	<b>Average Nursing Beds Available</b>	<b>Average Occupancy Percentage</b>
<i>Historical</i>						
2021	46.9	6.2	24.8	77.9	100.0	77.9%
2022	49.2	6.4	28.4	84.0	100.0	84.0%
2023 <sup>(1)</sup>	51.2	8.4	31.1	90.7	100.0	90.7%
<i>Forecasted</i>						
2023	48.0	9.0	34.0	91.0	100.0	91.0%
2024	48.0	9.0	34.0	91.0	100.0	91.0%
2025	48.0	9.0	34.0	91.0	100.0	91.0%
2026	48.0	9.0	34.0	91.0	100.0	91.0%
2027	48.0	9.0	34.0	91.0	100.0	91.0%

Source: Management

(1) Year to date occupancy is for the four months ending July 31, 2022

*Navigation at Home Program*

Management began accepting Members into the Navigation at Home program in fiscal year 2015. As of July 31, 2022, there were 114 members in the Navigation at Home program. Management assumes an additional 24 Members annually during the forecast period.

*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 Corporation 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. An ERC of approximately \$5,104,000 is forecasted to be recorded as revenue and received in fiscal year 2023.

*Investment Income*

During the forecast period, Management assumes an average annual rate of return of 2.25 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 by Management to increase 3.0 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 5.0 percent on April 1, 2023, 3.0 percent on April 1, 2025, 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>Table 10</b>	
<b>Schedule of Staffing Levels (FTE's)</b>	
<b>Department</b>	
Administrative	31.1
Assisted living & memory support	25.3
Healthcare	111.4
Dining service	59.5
Housekeeping and laundry	30.6
Maintenance	10.0
Activities	5.0
Marketing	8.5
Other	17.4
<b>Total FTE's</b>	<b>298.8</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 5.0 percent on April 1, 2023, and 3.0 percent on April 1, 2025 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 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 following summarizes the calculation of the Statutory Operating Reserve:

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

<b>Years Ending March 31,</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Forecasted operating expense	\$ 38,756	\$ 40,174	\$ 40,713	\$ 41,203	\$ 41,752
Add: Principal payments on long-term debt obligations	1,577	3,495	1,706	1,765	1,845
Subtract: Depreciation and amortization	(6,259)	(6,055)	(5,803)	(5,452)	(5,134)
Subtract: Debt service accounted for by way of another reserve	(5,836)	(5,838)	(5,836)	(5,840)	(5,836)
Forecasted operating expenses-adjusted	28,238	31,776	30,780	31,676	32,627
Operating reserve % required	25%	25%	25%	25%	25%
<b>Operating reserve (rounded)</b>	<b>\$ 7,060</b>	<b>\$ 7,944</b>	<b>\$ 7,695</b>	<b>\$ 7,919</b>	<b>\$ 8,157</b>
Independent Living & Assisted Living Units					
Available units	253	253	253	253	253
Occupied units as of last day of the year	243	243	243	243	243
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)**

<b>Years Ending March 31,</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Property and equipment, net beginning balance	\$148,673	\$151,786	\$154,327	\$156,988	\$159,740
Routine capital additions	3,113	2,541	2,661	2,752	2,846
Property and equipment, gross	151,786	154,327	156,988	159,740	162,586
Accumulated depreciation, net	(54,646)	(60,656)	(66,412)	(71,819)	(76,909)
Property and equipment, net Ending Balance	\$97,140	\$93,671	\$90,576	\$87,921	\$85,677

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, 2022, 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, 2022, approximately \$16,805,000 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 and independent living expansion project. The Series 2018 Bonds consist of \$24,875,000 of non-rated tax-exempt Series 2018A Bonds (the “Series 2018A Bonds”) and \$13,375,000 of non-rated fixed rate Tax-Exempt Mandatory Paydown Securities Series 2018B Bonds (TEMPS<sup>SM</sup>) (the “Series 2018B Bonds”). The Series 2018B Bonds were redeemed in full by October 2020.

As of March 31, 2022, approximately \$24,876,000 of the Series 2018A Bonds were outstanding. The Series 2018A Bonds were issued at a premium, with coupon rates ranging from 4.50 to 5.00 percent per annum. Interest on the Series 2018A Bonds is payable April 1 and October 1 of each year beginning April 1, 2019. Principal on the Series 2018A 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 2018A Bonds during the forecast period and thereafter.

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

<b>Years Ending</b>	<b><u>Series 2015 Bonds</u></b>		<b><u>Series 2016 Bonds</u></b>		<b><u>Series 2018A Bonds</u></b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>
<b>March 31,</b>							
2023	\$ -	\$2,269	\$1,530	\$800	\$ -	\$1,237	\$5,836
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
Thereafter	42,585	29,499	8,315	1,013	24,875	22,464	128,751
<b>Total</b>	<b>\$42,585</b>	<b>\$40,844</b>	<b>\$16,740</b>	<b>\$4,244</b>	<b>\$24,875</b>	<b>\$28,649</b>	<b>\$157,937</b>

Source: Management

### *Bank Line of Credit*

In February 2020, the Community entered into a 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 March 2020. The line of credit originally matured on February 1, 2021, but was extended to October 31, 2022 at which time all outstanding principal and accrued interest will be due. The outstanding balance at March 31, 2022 was approximately \$1,100,000. Management intends to renew the Line of Credit throughout the forecast period for cash management purposes. For purposes of the forecast, Management assumes to pay down the Line of Credit in fiscal year 2023 and have a zero balance at the end of each fiscal year during the forecast period.

### *Note Payable*

In December 2021, the Corporation entered into a bridge loan note 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% 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, 2022 was \$1,300,000.

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

**Table 14**  
**Schedule of Annual Debt Service**  
**Bank Line of Credit and Note Payable**  
**(In Thousands)**

<b>Years Ending March 31,</b>	<b><u>Bank Line of Credit</u></b>		<b><u>Note Payable</u></b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>
2023	\$1,100	\$ 48	\$ 47	\$ 48	\$1,243
2024	-	-	1,890	29	1,919
2025	-	-	26	1	27
2026	-	-	-	-	-
2027	-	-	-	-	-
Thereafter	-	-	-	-	-
<b>Total</b>	<b>\$1,100</b>	<b>\$ 48</b>	<b>\$1,963</b>	<b>\$ 78</b>	<b>\$3,189</b>

Source: Management

### *Other Debt Obligations*

The Corporation entered into the following debt obligations during fiscal year ending March 31, 2019:

- A capital lease obligation (the “Capital Lease”) 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.
- A vehicle loan (the “Vehicle Loan”) of approximately \$52,000 with an annual interest rate of 7.77 percent and monthly installments totaling approximately \$1,050, with a maturity date of July 31, 2023, collateralized by the vehicle.

The Vehicle Loan and Capital Lease are defined collectively as the “Other Debt Obligations.” Management assumes the Other Debt Obligations are to be satisfied during the fiscal year ended March 31, 2023, 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:

<b>Table 15</b>		
<b>Working Capital – Days on Hand</b>		
Accounts receivable	10	days of operating revenues
Other receivables	7	days of operating revenues
Accounts payable	22	days of operating expenses
Other accrued expenses	18	days of operating expenses

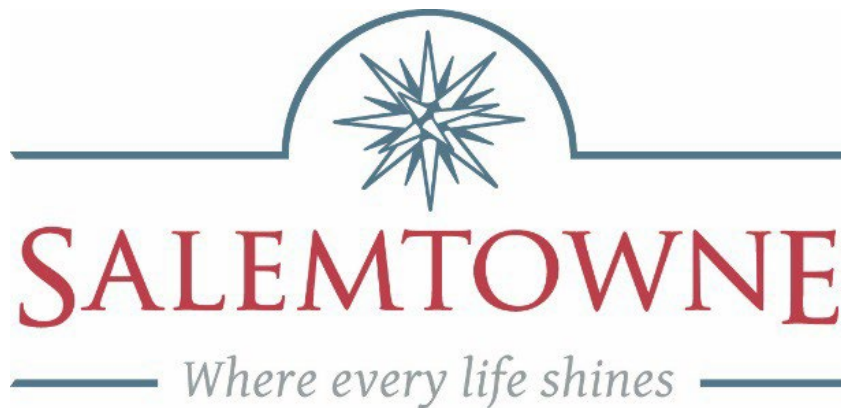
Source: Management

**COVID-19 Pandemic**

Management continues to evaluate the impact of the COVID-19 pandemic on the health care industry and has concluded that while it is reasonable possible that the virus could have a negative effect on the Corporation's financial position, and the results of its operations, the specific impact is not readily determinable as of the date of this forecast. Management's forecast does not include any adjustments that might result from the outcome of this uncertainty.

## 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:** \_\_\_\_\_

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

# 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 "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 furnish 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. **Dining.** You will have access to three (3) 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 substitute 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 and bath linens, and trash removal. Housekeeping services will be provided in the Health Care Center, and Westerly Place 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. Subject to approval by the Corporation, you may plant and maintain certain areas designated for such purpose by 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, 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 nursing staff will respond to emergency calls.
  5. **Emergency Medical Care.** We will notify your physician when emergency medical care is necessary. If acute medical care is necessary or upon physician's or your request, you will be transferred to a local hospital emergency room. In the event of an emergency, Salemtowne staff will summon emergency medical services to assist you by calling "911" or otherwise summoning appropriate medical personnel from outside Salemtowne. You authorize Salemtowne to provide to you any care and assistance deemed by Salemtowne to be in your best interests under the circumstances and to take any such action that is reasonably prudent in the event of an emergency, subject to any advance directives contained in a document that you have furnished to the Corporation.
  6. **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.
  7. **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.

8. **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.

9. **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.

Entrance Fee Option	Amount of Entrance Fee	Amortization Schedule
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.

<b><u>Non-Standard Features Added:</u></b>	<b><u>Cost</u></b>
	\$
	\$
	\$
	\$
	\$
<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 except for residents who enter into the Health Care Center for short-term rehabilitation, which is restricted to persons 55 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 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. 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.

- C. **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.
- D. **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.

- 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 Resident.
- 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.
- 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 negligent or intentional act or omission or those of your guests, including private duty nurses, companions, or other.
- H. **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.

- I. **Separability.** 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. **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.
- K. **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.
- L. **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.
- M. **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.
- N. **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.
- 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, 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.
- 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 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.
- 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 Resident 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

**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.

*[Signatures Follow on Next Page]*



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 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.

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 \_\_\_\_\_, \_\_\_\_\_.

SALEMTOWNE	RESIDENT(S) (or Resident(s)'s Attorney in Fact) (*)
_____ By (signature)	_____ (signature) (SEAL)
_____ Printed Name	_____ (signature) (SEAL)
_____ Title	_____ Current Address: Street
	_____ City, State, Zip Code
	_____ Telephone

(\*) 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



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 \_20\_ ("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 for 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, eating, transferring, walking, mobility, grooming and continence.

**Adult Day Care Services** means a facility that offers a program of services in a congregatesetting 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).

**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.

**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 Navigator** means the person appointed by the Program to handle the needs of the Member for Services, for conducting 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, when the Member lives alone or when his or her family is temporarily away from home.

**Companion Services** means those services provided by a Companion when assistance, such as supervision of activities of daily living (ADLs) and/or medication reminders, is needed. The Companion can also do cooking, dishwashing, laundry, light housekeeping, and errands, as well as conversation and social time while present in the Home for eligible services.

**Deferred Fees** means any fees owed by Member which are to be paid at a later date.

**Designated Representative** means the person authorized by the Member to make decisions on his/her behalf.

**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. This system allows a Member who is deemed to be at high risk to secure help in the event of a medical, physical, emotional, or environmental emergency.

**Facility** means Assisted Living Facility or Skilled Nursing Facility.

**Facility-Based Services** means Services provided in a Facility other than the Home Site, including Assisted Living and Skilled Nursing Facilities.

**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. 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.

**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 Member's Medicare Replacement or Secondary Insurance.

**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.

**Permanent Member** means a Member who has resided in an Assisted Living or Skilled Nursing Facility for 100 consecutive days, and has been determined to be a Permanent Member with respect to such Facility by the Care Coordination Team.

**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 or Skilled Nursing Facility having an agreement with the Program to supply Facility-Based Services to Members.

**Program Plan** means the All Inclusive, Enhanced, Classic Plan or Access Plan 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 any applicable copayments and deductibles or other costs to be paid by the Member as set forth in this Agreement, including Attachment A.

**Residential Healthcare** means a Skilled Nursing Facility having an agreement with the Program.

**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), Facility-Based Services (including Assisted Living and Skilled Nursing), limited transportation services.

**Skilled Nursing Facility** means a facility licensed by the state of North Carolina to provide various levels of nursing or convalescent care.

## **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, the Program will provide to Member the Services described in this Agreement 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 payment of all applicable copayments, deductibles, fees, costs, and expenses to the Program by the Member.

- A. **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.
- B. **Relocation from Designated Service Area.** 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.

- C. **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.D of this Agreement.
- D. **Care Coordination.** Under the direction of 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. 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. The amount of the copayments, deductibles, costs, fees, and expenses covered by the Program for such care coordination services are set forth in Attachment A hereto. All costs, fees, and expenses not covered by the Program are the responsibility of the Member.
- E. **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. The amount of the copayments, deductibles, costs, fees, and expenses covered by the Program for such Home Site inspection services are set forth in Attachment A hereto. All copayments, deductibles, costs, fees, and expenses not covered by the Corporation are the responsibility of the Member.

- F. **Home Site Services.** Home Site Services (as more specifically described in items 1 through 5 below) will be provided as Determined To Be Appropriate by the Care Coordination Team. 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. The amount of the copayments, deductibles, costs, fees, and expenses covered by the Program for such Home Site Services is set forth in Attachment A hereto. All copayments, deductibles, costs, fees, and expenses not covered by the Program are the responsibility of the Member.
1. **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.
  2. **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.
  3. **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.
  4. **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.
  5. **Meals.** If due to a medical need and if Determined To Be Appropriate by the Care Coordination Team, a maximum of one (1) meal per day for a maximum of one (1) week.

- G. **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. Any and all copayments, deductibles, costs, expenses and fees relating to the provision of Facility-Based Services, including Assisted Living Facility Services, Skilled Nursing Facility Services and/or Adult Day Care Services, including, but not limited to, any ancillary charges such as laundry, prescription drugs, medical supplies, telephone, television, or internet, shall be the sole responsibility of the Member to the extent provided for in the Program Plan selected by the Member.

- H. **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. The amount of the copayments, deductibles, costs, fees and expenses covered by the Program for such transportation services is set forth in Attachment A hereto. All copayments, deductibles, costs, fees and expenses not covered by the Program are the responsibility of the Member.
- 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. **Other Services and Programs at Additional Charge.** Other services and programs will be available to the Member at the Member's expense, including but not limited to private transportation, catering, and other special services.

The availability and charges for additional services are determined by Program.

### 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 qualifications to ensure that Program can accommodate Member's health needs 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 and Financial Applications and Personal Health History form are true and correct and may be relied upon by the Program as a basis for entering into 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 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.
- D. **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 a 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.
- E. **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 then current negotiated private pay daily rate for a private bed for the same level of care at Salemtowne retirement community's Skilled Nursing Facility. 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.

- F. **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.
- G. 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 Navigator.

#### 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. All copayments, deductibles, costs of Services in these Facilities will be paid by

Member, except as otherwise set forth in this Agreement, including Attachment A, and the Program Plan selected.

- 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.

## 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 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. **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 and other costs, fees, and expenses charged by the Program.

- D. **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

- E. **Care in Other Assisted Living or Nursing Care Facilities.** If a Member transfers to a Facility other than at Salemtowne retirement community or other Program Participating Facility, the Program may limit payment of charges incurred at the Facility for the level of services defined within this Agreement if the cost of such services for any day exceeds the then current negotiated private pay daily rate for a private room in the Skilled Nursing Facility at Salemtowne retirement community. The Member may either transfer to the Assisted Living Facility or Skilled Nursing Facility at Salemtowne retirement community or other Program Participating Facility or pay the difference between the cost of services at the Facility and the then current negotiated private pay daily rate for a private room in the Skilled Nursing Facility at Salemtowne retirement community. Member will continue to pay the Monthly Fee for the Program. Member will also be solely responsible for any and all co-payments, deductibles, fees, costs, and expenses relating to such transfer.
- F. **Care in Other Facilities.** Should Member need a level of care beyond that which Salemtowne retirement community or other similar 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.
- G. **Limitation of Program Payment for Non-Institutional Health Care Services.** Program may limit payment for Home Site Services (Home Care Aide, Homemaker, Companion, Emergency Response System, meals and Adult Day Care) if the aggregate cost of such services for any day exceeds the then current negotiated private pay daily rate for a private room in the Skilled Nursing Facility at Salemtowne retirement community.
- The Member may either transfer to a Program-Participating Facility or pay the difference between the cost of Home Site Services and the then current negotiated private pay daily rate for a private room in the Skilled Nursing Facility in Salemtowne retirement community.
- 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 Providers bill, Medicare, Medicaid, and other third-party payers for any covered supplies and services provided by the Program. 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 is responsible for all copayments, deductibles, fees, costs, and expenses incurred while this Agreement remains in force, and 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, 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)
  - Name, address, and phone number of funeral home
  - 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 the death of the Member, the Member Services 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, 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 Home Site or Facility to another facility.

## 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. **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. R. 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. **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.
- C. **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.
- D. **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.

- E. **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.
- F. **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.
- G. **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.
- H. **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.
- I. **Separability.** 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 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.

- K. **Member Handbook.** Member will be given a current copy of the Member's Handbook adopted by the Program. Member understands that this document will change from time to time.
- L. **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.
- M. **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.
- N. **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 Member's prior designation of an authorized legal representative, or upon the unwillingness or inability of a designated legal representative to act, Salem Towne 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.** Member should consult with his/her 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, 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.

- 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 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.
- S. **Gender.** Throughout this Agreement, the use of the masculine gender shall include the feminine.

**Interpretation.** Headings are for convenience and reference purposes only and shall not affect the interpretation of any provision of this Agreement.

- T. **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.
- U. **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.
- V. **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 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.

By:  
**MORAVIAN HOME,  
INCORPORATED d/b/a  
NAVIGATION AT HOME**

By:  
**MEMBER**

\_\_\_\_\_  
(signature)  
Mark Steele  
\_\_\_\_\_  
Printed Name  
\_\_\_\_\_  
President / CEO  
\_\_\_\_\_  
Title

\_\_\_\_\_  
(signature)  
\_\_\_\_\_  
Printed Name

## ATTACHMENT A

### NAVIGATION AT HOME SERVICE PLAN OPTIONS\*

Each plan pays the following percentage of costs associated with the services being provided

<b><u>Type of Service</u></b>	All Inclusive	Enhanced	Classic	Access
<b>Care Coordination</b>	100%	100%	100%	100%
<b>Home Site Services:</b>				
Home Care Aide <sup>1</sup>	100%	85%	50%	65%
Companion / Homemaker <sup>1</sup>	100%	85%	50%	65%
Live in Companion <sup>1</sup>	100%	85%	50%	65%
Adult Day Care <sup>1</sup>	100%	85%	50%	65%
Delivered Meals (as limited per Agreement)	100%	100%	100%	100%
Emergency Response System	100%	100%	100%	100%
Home Inspection	100%	100%	100%	100%
Transportation (as limited in Agreement)	100%	100%	100%	100%
<b>Assisted Living or Skilled Nursing Care<sup>1, 2</sup></b>	100%	70%	50%	0%

<sup>1</sup>Percentages listed that are covered by the Program are limited to a cap equal to the then current negotiated private pay daily rate for a private room in the Skilled Nursing Facility at Salemtowne retirement community. The cap is applied on a monthly basis.

<sup>2</sup>Applies to Skilled Nursing or Assisted Living Care provided at Salemtowne retirement community or at a Program-Participating Facility.

## Appendix C1

### Continuing Care – Schedule of Fees as of August 28, 2022



## Schedule of Fees Effective August 28, 2022

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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	\$182,400 - \$190,900	\$3,233
Emerald - 2BR	1,356	\$218,900 - \$222,200	\$3,370
<b>Salem Village</b>			
Bethania - 2BR	1,553	\$286,500 - \$292,000	\$3,698
Hickory - 2BR	1,560 - 1,755	\$279,000 - \$341,300	\$3,763 - \$4,147
Catawba - 2BR	1,678 - 3,210	\$299,700 - \$500,000	\$3,963 - \$4,686
<b>Bethabara Place</b>			
Mitchell - 2BR	1,440	\$302,800	\$3,761
Shenandoah - 2BR	1,617 - 1,698	\$341,800 - \$358,900	\$3,960 - \$4,092
Appalachian - 2BR	1,640 - 1,750	\$346,600 - \$359,300	\$4,025 - \$4,099
Rutherford - 2BR	1,817 - 2,259	\$374,800 - \$449,300	\$4,355 - \$5,033
Watauga - 2BR	2,400	\$499,700	\$4,906

**Monthly Fee for second occupant is \$779.**  
**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 allowance.

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	\$79,600 - \$97,200	\$2,396
Winston – 2BR	790	\$107,100 - \$118,400	\$2,701
West End – 1BR	790	\$107,100 - \$116,200	\$2,701
Buena Vista – 2BR	1,055	\$148,800 - \$161,400	\$3,017
<b>Driscoll Apartment Building:</b>			
Reynolda – 1BR	751	\$137,000 - \$173,400	\$2,847
Sherwood – 1BR	936	\$163,500 - \$177,300	\$3,164
Piedmont – 2BR	1,073	\$203,800 - \$218,100	\$3,562
Brookstown – 2BR	1,107	\$208,000 - \$214,300	\$3,568
Twin City – 2BR	1,240	\$218,200 - \$229,700	\$3,822

**Monthly Fee for Second Occupant is \$996**  
**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 allowance.

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	\$204,400 - \$242,400	\$3,713
Dogwood – 2BR	1,395	\$279,600 - \$329,700	\$3,893
Hawthorne – 2BR	1,490	\$280,900 - \$351,400	\$3,989
Pine – 2BR w/ Den	1,640	\$338,100 - \$409,200	\$4,155
Sycamore - 2 BR w/ Sunroom	1,750	\$332,700 - \$430,600	\$4,322
Willow - 2 BR w/ Sunroom	1,875	\$397,000 - \$484,200	\$4,405

**Monthly Fee for second occupant is \$796**  
**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 allowance.

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.

## Assisted Living Services

(This schedule of fees is effective for Residents entering the community on or after May 1, 2014 under the “New” fee program & those residents who bought in to the “New” fee program.)

	<b><u>Monthly Fee</u></b>
Assisted Living - Single occupancy	\$5,801
Assisted Living Suite - Single occupancy	\$7,695
Assisted Living – Memory Support – Single Occupancy (Westerly Place)	\$9,445
Assisted Living - Respite Stay	\$278 / day
Level of Care – Level 2	\$500/month
Level of Care – Level 3	\$1,000/month

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.

Monthly fee includes: 3 meals per day, utilities (excluding telephone), cable, weekly housekeeping & maintenance, and bed and bath linen laundry.

Residents moving between assisted living residences may be charged for renovation costs.

## Health Care Services

	<b><u>Daily Fee</u></b>
<b>Babcock Health Care Center – Private Room</b> (all rooms Medicare certified effective 1/1/2015 and 20 rooms dually Medicaid certified)	\$406 / day

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.

Daily fee includes: 3 meals per day, utilities (excluding telephone), cable, daily housekeeping, maintenance and bed and bath linen laundry service.

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

(Program for Residents entering the community prior to May 1, 2014 as per your contract.)

Independent Living or Assisted Living Residents who have paid an entrance fee 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 Center/Assisted Living Center 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. Residents may carry days forward to future months within any given fiscal year.

Temporary Stay in the Health Care Center or the Assisted Living Center Program

(Program for Residents entering the community prior to May 1, 2014 as per your contract.)

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.)

## Assisted Living and Health Care Services – Discount on Daily Fees

(Program 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 in 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 and posted in the Servery. Salemtowne will provide you the ability to carry over your unused dining allowance to the next two months and use your dining allowance for family and guests, for beer and wine or a catered event on campus.

Flexible Dining Plan	\$408/month
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- Required for all Independent Living Apartment Residents.

Flexible Dining Plan	\$195/month
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- Optional for Cottage Residents entering the community prior to May 1, 2014.
- Required for Cottage Residents entering the community on or after May 1, 2014.
- Dining Fee is included in the monthly service fee.

Flexible Dining Plan - Woodlands	\$256 month
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- Required for all Woodlands Villa Residents.

Resident Individual Meal delivery	\$5/delivery
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- No delivery fee will be charged for meal delivery due to resident illness.
- Call 336.714-3141
- Tipping is not permitted

## Ancillary Services

*All ancillary services prices subject to change based on cost.*

### Administrative Support Services

Monthly Billing Statement Copy (each).....	\$5.50
Monthly Billing Statement Copy (full year).....	\$66
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
Shredding of Personal documents (small box) .....	\$10
# 10 letter size envelope (each).....	\$0.10
9 x 12 envelope (each) .....	\$0.30
FedEx packages.....	\$5.00 + the FedEx charges
NSF (non-sufficient funds fee) for a returned check.....	\$40
Finance Fee for Late Payments .....	18% per annum

(Monthly Fees are due and payable by 5:00 p.m. on the 10th of the month.)

### Beauty Shop

Cut 1.....	\$25
Cut 2.....	\$20
Blow Dry.....	\$20
Shampoo (must accompany a set) .....	\$15
Set (must accompany a shampoo) .....	\$25
Rinse .....	\$7
Color .....	\$80
Permanent 1.....	\$85
Permanent 2.....	\$80
Eye Brow Tint .....	\$15
Cut & file nails.....	\$17
Manicure .....	\$27
Conditioner .....	\$13
Beard Trim.....	\$11
Hairnet.....	\$7
Hair Spray .....	\$26

## 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
Oxygen Tank – per tank.....	\$11
Nebulizer – per day.....	\$1
Suction Machine – per day.....	\$1
Air Mattress – per day.....	\$8
Mattress Overlay – per day.....	\$8
Tube Feeding Supplies – Jevity per case.....	\$85
Tube Feeding Supplies – Osmolite per case.....	\$75
Colostomy Supplies – per box.....	\$80
CPAP – per day.....	\$2.50
BiPAP per day.....	\$4
Flu Shot.....	\$43
Pneumonia Shot.....	\$140
Wander Guard Bracelet (including battery replacement & strap).....	\$300
Bed alarm – per day.....	\$3.75
Chair alarm - per day.....	\$3.75
Negative Pressure Wound Therapy Vacuum – per day.....	\$83
Negative Pressure Wound Therapy Canister/Dressings – per day.....	\$37

## Incontinence Program – Effective August 1, 2022

Size 1 – per month.....	\$115
Size 2 – per month.....	\$136
Size 3 – per month.....	\$184
Bariatric – per month.....	\$532

## Nutritional Supplements

Boost.....	\$3.50
Ensure.....	\$2.00
Ensure Plus.....	\$1.50
Ensure High Protein.....	\$1.75
Ensure Pudding.....	\$1.75

Protein Jello .....	\$3.50
Beneprotein Powder .....	\$25
Glucerna .....	\$5
ProStat .....	\$35
ProStat Advanced Wound Care .....	\$80
Gelatin Protein Gelatin.....	\$3

## Enrichment Services

Personal Training – ½ hour .....	\$27
Personal Training – 1 Hour .....	\$54
Massage Therapy ½ Hour – without Physician order .....	\$48
Massage Therapy – Missed Appointment .....	\$25

## Guest Services

Guest Room – One Bedrooms (Reservations through Housekeeping) .....	\$78 per night
Guest Room Cancellation Fee (less than 48 hours notice) .....	\$47

## Transportation Fees

Salemtowne will provide local transportation for scheduled medical appointments 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 appointments exceeding four (4) per month. Additional fees will be incurred for those appointments outside of normal service hours and for Residents who require staff accompaniment.

### Up to 3 hour Trips:

For each appointment over 4 per month allowed in residence & services agreement 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.....	\$30 per item
Optional Bed and Bath Linen Service (per residence) .....	\$128 per month
Internal Moves – Packing & Moving Assistance.....	\$50 per hour
Maintenance, Grounds & Housekeeping Special Services (upon request by Resident & approval by Administration):	
Regular .....	\$40/hour
Overtime .....	\$65/hour
Supplies.....	Costs + 20%

Outdoor Tent set-up & use on Salemtowne campus .....\$205 per event per tent  
Towne Club Entrance Fee .....\$1,000  
*(Independent Living Resident Application Fee to join the waitlist, refundable/applied to entrance  
fee upon settlement)*  
Pet Fees .....\$500  
*(One-time non-refundable pet fee for each pet that meets Salemtowne's Pet Policy.)*

## Appendix C2

### Navigation at Home – Schedule of Fees as of August 28, 2022



PROTECTION | COORDINATION | CARE

## Schedule of Fees Effective June 1, 2022

### 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 June 1, 2022.

Membership Fee	Plan Type			
	All Inclusive	Enhanced	Classic	Access
	<u>Single</u>	<u>Single</u>	<u>Single</u>	<u>Single</u>
65	\$ 38,853	\$ 31,430	\$ 25,757	\$ 23,385
75	\$ 62,967	\$ 51,529	\$ 40,115	\$ 36,416
85	\$ 88,383	\$ 72,451	\$ 54,833	\$ 47,578
<b>Monthly Fee</b>	\$ 664	\$ 581	\$ 511	\$ 484

\*Couples receive a 5% discount on the Membership and Monthly Fee

### Consultative Care Plus Plan

**Membership Fee** – one-time non-refundable fee of \$6,005 for each member

No monthly fee. All services are provided on a “fee for service” basis at an additional cost to the Member when utilized.

### Health Support Services

Health Support Services coordinated by Navigation are charged at the provider’s rate.

Navigation Care Coordination - \$105 per hour.