



Lutheran Retirement Ministries of Alamance County, North Carolina

Name of Facility: Twin Lakes Community
Location: 3701 Wade Coble Drive
Burlington, North Carolina 27215
(336) 538-1500

Annual Disclosure Statement February 27, 2024

In accordance with Chapter 58, Article 64 of the North Carolina General Statutes of the State of North Carolina:

- **This Disclosure Statement may be delivered until revised, but not after July 27, 2025;**
- **Delivery of this Disclosure Statement to a contracting party before execution of a contract for continuing care is required;**
- **This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out. (North Carolina Statutes do not provide for such governmental approval).**

LUTHERAN RETIREMENT MINISTRIES
of Alamance County, North Carolina
TWIN LAKES COMMUNITY

DISCLOSURE STATEMENT

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HISTORY, MISSION AND CORE VALUES

Lutheran Retirement Ministries of Alamance County, North Carolina (“LRM”), 3701 Wade Coble Drive, Burlington, NC 27215, was incorporated in North Carolina in 1980 as a non-profit corporation, thanks to a generous bequest from the estate of Wade and Agnes Coble to Macedonia Evangelical Lutheran Church. We operate a Continuing Care Retirement Community known as Twin Lakes Community (“Twin Lakes”) in Elon, North Carolina, and our mission statement provides that:

“As a non-profit built on Christian values, we celebrate the progression of life and dignity of the individual by empowering all members of our community to live, work and serve to their fullest potential.”

In keeping with our Lutheran heritage, we are guided by the following values:

Christ-Centered. *Love, compassion, care, stewardship and service are at the heart of all we do.*

Financially Stable. *To honor our commitments to all members of our community, we must be good stewards of the resources provided to us.*

People First. *We provide innovative opportunities for personal fulfillment, dignity and well-being for all members of our community.*

Quality. *We are committed to enriching lives by providing superior services with integrity.*

Inclusive. *We celebrate the diversity of our community and welcome people of all faiths, races, cultures and life experiences.*

NON-PROFIT STATUS

As a 501(c)(3) organization, we are exempt from corporate income taxes, and gifts to us are eligible for an income tax deduction for the donor. By complying with the requirements of North Carolina law (G.S.105-278.6A) LRM is exempt from paying property taxes on all property used in its exempt function.

LICENSURE AND CERTIFICATION

LRM is licensed to provide continuing care in North Carolina in accordance with state law. The skilled nursing services we provide in Coble Creek Healthcare are certified by both Medicare and Medicaid. Moneta Springs Memory Care is licensed as an adult care home.

AFFILIATIONS

LRM is an affiliated agency of the Evangelical Lutheran Church in America through the sponsoring congregation, Macedonia Evangelical Lutheran Church. However, church-affiliated status does not cause any Lutheran church body to be subjected to the liabilities or debts of LRM, nor does it enable any Lutheran organization to influence or control the operation of LRM, or to have a claim for financial support from LRM. LRM is fully responsible for the management and fiscal affairs of the corporation and solely responsible for any debts and liabilities it may incur.

LRM is also a member of Lutheran Services in America (LSA), Leading Age and its affiliate, LeadingAge North Carolina.

ACCREDITATION

Twin Lakes Community is accredited by CARF, an independent accrediting commission for CCRC's. In its commitment to provide quality services to the residents, Twin Lakes Community presents itself for additional scrutiny and adherence to the strict standards of CARF.

FINANCIAL RATING

The Fitch rating agency has assessed LRM's investment grade rating at BBB.

ORGANIZATION AND OPERATION

BOARD OF DIRECTORS

The governing body of LRM is the board of directors. There are twenty voting members of the board, all of whom serve as volunteers. In addition, there is one non-voting ex-officio member of the board, the pastor of Macedonia Evangelical Lutheran Church. Voting members are nominated by the LRM board and approved by the Church Council of Macedonia. A board member may serve two consecutive three-year terms. Since 1985, there has been resident participation on the board. There are three residents of Twin Lakes Community who serve as full voting members on the board. Resident board members may serve one three-year term.

There are four officers of the board (Chair, Vice-Chair, Secretary, and Treasurer), and together they comprise the Executive Committee of the board. The Executive Committee has authority to act on the board's behalf when the board is not in session. The board of directors meets six times a year, and the Executive and Finance Committees meet jointly in the months that the board does not meet. Currently, the standing committees of the board are: Executive, Finance, Governance, Nominating, Planning, and Audit. The board also utilizes ad-hoc committees from time to time for special purposes.

BOARD MEMBER BIOGRAPHIES

Alexis Moore

917-671-8530

300 Blackwell Street Apt 312, Durham, NC 27701

Leader in education for 15+ years; taught in NY and Elon, serving both as interim chair; Assistant Professor and inaugural faculty member for Elon's PA Program; Attended Brooklyn College, SUNY Downstate, and Columbia University; Doctorate in Medical Science to be completed in 2022; Physician Assistant Education Association, Presenter; Elon University's Daniels-Daneiley Award for Excellence in Teaching, nominee; and Heartbeats of the World, former Board Member.

Alison Upton
4563 Freedom Drive, Burlington, NC 27215

843-902-5844

Managing Director at KPMG LLP; Chair, Elon University Accounting and Advisory Board; Member, Elon University Love School of Business Board; Olde Forest Racquet Club Board Member.

Anthony "Tony" Foriest
2211 Quail Drive, Graham, NC 27253

336-214-8578

Retired, Xerox Corporation Executive; earned BA in Economics, UNC-Chapel Hill and MBA, Elon University; served two terms in NC State Senate and two terms as chair of Alamance County Democratic Party; serves on the Alamance Community College Board of Directors, and is a member of Alamance Achieves Steering Committee; member of First Baptist Missionary Church of Graham.

Danny Van Fleet - Treasurer
104 Oakview Dr. Elon, NC 27244

336-263-2505

Certified Public Accountant, City of Burlington Tax Collector, Treasurer and Chair of the Audit Committee of Lutheran Retirement Ministries of Alamance County, General Fund Treasurer and a board member of Macedonia Evangelical Lutheran Church, Former member of Alamance Burlington Kiwanis Club, Olde Forest Racquet Club Tennis Committee member.

Douglas "Doug" Brook
2507 Hutchinson Court, Burlington, NC 27215

336-447-4378

Research scholar and visiting professor of public policy, Duke University; professor emeritus, US Naval Postgraduate School in Monterey California. 10-year resident of Twin Lakes. BA and MPA, University of Michigan; Ph.D. George Mason University. Has held four senior presidential appointments in financial management and human resources. Member of chancel choir at Front Street United Methodist Church, semi-competitive runner.

David Koester
512 Meadowood Drive, Burlington, NC 27215

336-524-9060

Vice President of Engineering, Tyrata, Inc.; Elon University Institutional Review Board, Community Member; member of Alamance Lutheran Church where he has served several terms as congregational president and as finance committee chair for over 10 years.

Jackie Cole - Chair 336-563-3554
1257 Tula Lambert Rd, Mebane, NC 27302

Vice President and Secretary of Coleco Inc.; Alamance County Extension Advisory Board; Chair, Lutheran Retirement Ministries Board; Alamance Community College Foundation Board Member; Woodlawn Community Board Member; Registered Instructor and Interim Program Director, North Carolina Therapeutic Riding Center; Former Chair, Alamance County Board of Education; member of Alamance Lutheran Church and serves as chair of Staff Support Committee and as coordinator of Meals on Wheels.

Jerry "Jay" Tolley, Jr. 919-219-3847
1708 Cappoquin Way, Burlington, NC 27215

Associate Vice President, Digital Pathology Platform at Mayo Clinic; BS, US Naval Academy and MBA, Harvard Business School; Veteran, US Navy; Member of Macedonia Lutheran Church, currently serving as Finance Committee Chair.

Jill Gerring 336-264-0730
3246 Van Drive, Burlington, NC 27215

DPT University of New England, MSPT/BSPT Thomas Jefferson University; Member of Alamance Lutheran Church, member of Via de Cristo Secretariat board.

Joy Isley 336-601-3906
7104 Howertown Road, Gibsonville, NC 27249

Relationship Banker III / Bank Officer at Fidelity Bank, Gibsonville, NC; Lutheran Retirement Ministries Inc – Board Member and Secretary; Fire District 28 – Board President; Member – Friedens Lutheran Church; Co-Owner of Isley Quarter Horses, Gibsonville, NC.

Michael "Kyle" Corum 336-278-1316
1216 Jamestowne Drive, Elon, NC 27244

Partner with Bernard Robinson and leads firm's Advisory Services practice; BS, Business Administration, Appalachian State University; member AICPA, NCACPA, and Association of Certified Fraud Examiners and Community Associations Institute; Leadership Greensboro 2011; former member, Summit House board of directors.

Matrice Williams 336-512-0045
1317 Dunleigh Dr, Burlington, NC 27215

Durham County Asst. Public Defender; earned a BA, UCLA and JD, Southwestern University School of Law; Founder and former owner/franchisee of Mathnasium of Burlington; serves on the City Gate Dream Center Board of Directors; member of City Gate Church; member of Delta Sigma Theta Sorority, Inc.

Melanie Thomas
1227 Geneva Albright Rd, Graham, NC 27253

336-228-8703

Quality Management Director with Freedom House Recovery Center in Chapel Hill, NC; NC Behavioral Health Information Management Association President; served on various local behavioral health committees; member of American Health Information Management Association (AHIMA), long-term care committees; member of Alamance Lutheran Church where she serves as Church Council chair.

Michael Menz
7011 Windsor Way, Elon, NC 27244

336-538-2307

Attended University of Buffalo, University of Virginia (medical school) Kansas University-Wichita; Practiced in Tennessee and currently in Burlington (Kernodle Clinic) for 12+ years; Alamance/ Caswell Medical Society, Member; NC Medical Society, Member; and American Academy of Orthopedic Surgeons, Member.

Nikki Ratliff
1968 Sinclair Trace, Burlington, NC 27215

336-684-0403

Chief Operating Officer, Burlington Housing Authority; Alamance Chamber, board member and past chair, Alamance Partnership for Children, board member and past chair; Impact Alamance, board member; Alpha Kappa Alpha Sorority, Inc.; Greater Alamance Woman's Club. Past board chair; Hospice of Alamance-Caswell, United Way of Alamance County, The Exchange Club's Family Center of the Central Piedmont, Alamance Regional Charitable Foundation; General Federation of Women's Clubs of North Carolina. Past Third Vice President/Director of Junior Clubs and Leadership Chair; Alamance Chamber's Leadership Alamance (c/o 2011); Past Alamance County Guardian ad Litem.

Reed LaPlante
1129 Aycock Ave, Burlington, NC 27215

336-222-8058

Vice President and Triad Business Banking Team Lead for FNB Corporation; Member of FNB Corporation Diversity Council; Past Board Chair for Alamance Chamber of Commerce; Elon Love School of Business Graduate Programs Board Member; Elon Phoenix Club Board Member; Treasurer for Macedonia Lutheran Church Endowment Fund; Member of Graham Rotary Club; 2022 Gala Dancer for Little Pink Houses of Hope; Member of Macedonia Lutheran Church.

Sam Sink
3103 William Penn Court, Burlington, NC 27215

336-603-6935

Retired college instructor (French, Spanish, history, college study skills, and supervisory skills) at two community colleges in NC; teacher for adult faith formation classes, council president, chair of campus ministry and internship committees at Grace Lutheran in Boone, NC; chair of NC Lutheran Synod Campus Ministry Committee; court representative and vice chair of Residents Council, Auxiliary Board, presenter at Twin Lakes; coordinator of training programs through Region D Council of Governments.

Sherry Hunt
6501 Thurlow Court, Stoney Creek, NC 27377

336-209-2190

Former member, boards for the Women's Resource Center of Greensboro and Professional Women's Network Greensboro; volunteer for Coastal Conservation Association Piedmont Chapter and Second Harvest Foodbank; various leadership roles within Ameriprise, including on the Ameriprise Women's Empowerment Network Board of Directors, Elite Growth Forum NC/VA; and Quantum Leap 3 organization of top 100 Ameriprise practices.

T. Bruce Moore
3157 Mattie Florence Drive, Graham, NC 27253

336-437-3340

Retired Senior Technical Advisor, Oil & Natural Gas Sector, US Environmental Protection Agency; Graduate of Texas A&M University (Chemical Engineering); Graduate of Sam Houston State University (Chemistry); served in the US Navy; past Registered Emergency Paramedic (Texas); Committee Chair since 2003, Boy Scouts of America Troop 39; Ruritan National past Club President and Zone Governor; current Chair, Board of Directors, Coble Estates Homeowners' Association; member of Macedonia Evangelical Lutheran Church since 2000, where he has served as Congregation President, Church Council, on the Executive Committee, and as Capital Fund Treasurer since 2009.

Vernetta Bridges
4120 Dublin Court, Burlington, NC 27215

336-538-6588

Vice President of Creative Education Solutions, Inc.; Impact Alamance Board of Directors (Equity Committee Chair & Operations Committee); Catalyst in Education for thirty-plus years prior to retirement as, Former Director of Student Support Services, Alamance Burlington School System; School Counselor, Assistant Director of Admissions, St. Andrews Presbyterian College; Director of Development, Knoxville College & Regional Director of Ten Million Dollar Major Missions Fund Raising Campaign for the United Presbyterian Church. Member of Alpha Kappa Alpha Sorority/Pi Omicron Omega Chapter (Current Local Archives Chair); American School Counselor Association, National Association of College Admissions Counselors, National Association of School Counselor Advocacy.

MANAGEMENT

The President/CEO, hired by the board of directors, is responsible for the day-to-day operation of Twin Lakes Community. Reporting to the President/CEO are the Chief Financial Officer, Human Resources Officer, Independent Living Administrator, Healthcare Administrator, Memory Care Administrator, Assisted Living Administrator, Sales and Marketing Director, Director of Resident and Community Resources and the Executive Assistant. In the absence of the President/CEO, one of these directors acts on her behalf. All persons listed have offices at Twin Lakes, 3701 Wade Coble Drive, Burlington, NC 27215.

Pamela Sarsfield Fox. President/Chief Executive Officer.

An attorney and certified public accountant, she obtained her undergraduate degree from the University of Virginia and her law degree from Washington and Lee University. Prior to joining the Twin Lakes staff in 2008, she spent twenty years practicing law as an estate planning attorney and providing wealth management services to affluent clients of a wealth management firm in Greensboro, North Carolina. Fox has volunteered for numerous professional, civic and church organizations in Burlington, Greensboro, and elsewhere in North Carolina. Currently she serves on the boards of Leading Age North Carolina and the Central Carolina Clay Guild; she also serves on the local advisory board for Truist Bank. In addition, she has held board positions with the NC Bar Association, the NCACPA, Lutheran Retirement Ministries and other not-for-profit organizations.

Brent Conklin. Chief Financial Officer.

Graduated from Appalachian State University in 1999 with a BSBA degree in Accounting. Received his CPA Certificate in 2003. He has over twenty-four years' experience in accounting, which includes eight years in public practice with McGladrey & Pullen and Dixon Hughes Goodman, auditing various CCRC's, not-for-profits, manufacturing companies and auto dealerships across the US. In the nine years before he joined Twin Lakes, Conklin worked in private industry for large multi-national manufacturing companies in various finance leadership roles. Member of the American Institute of Certified Accountants, North Carolina Association of Certified Public Accountants and is a Chartered Global Management Accountant. Conklin also serves as the treasurer of his church in Gibsonville, NC, and has served on several not-for-profit boards in Gibsonville and Chapel Hill, NC.

Kimberly D. Thomas. Human Resources Officer, Security/Privacy Officer.

Earned BS degree in Business Administration, Appalachian State University with a double major in marketing and management. Additionally, Thomas earned two certifications that include Senior Professional of Human Resources (SPHR) and SHRM – Senior Certified Professional (SHRMSCP). She has volunteered for several professional, civic and church organizations in Gibsonville, Burlington, and Greensboro, North Carolina. Thomas has spent her career in recruitment, staffing, and employment relations, working in both Burlington and Greensboro. She joined Twin Lakes Community staff as its second Human Resources Officer in 2016.

J. Patrick Harrison. Administrator, Independent Living.

A native of southeastern North Carolina, Patrick Harrison graduated from the University of North Carolina at Pembroke in 2004 earning a Bachelor of Science degree with a concentration in marketing. Prior to that, he received two Associate degrees in Banking and Finance and Business Administration from Southeastern Community College. Following studies at the University of North Carolina at Chapel Hill, he became a Licensed Nursing Home Administrator for North Carolina in 2005 and was employed as Administrator for Bayview Nursing and Rehabilitation Center in New Bern, N.C. for two years. Harrison joined Twin Lakes as the Assisted Living Administrator in 2007 and is currently Administrator for The Lakes Independent Living as well as responsible for campus Maintenance, Grounds and Security. He is also a Certified Aging Services Professional.

Amanda S. Hobbs. Administrator, Deacon Pointe Assisted Living.

Amanda Hobbs hails from Guilford County, having stayed close to home, and graduated from The University of North Carolina at Chapel Hill in 1994. She earned a Bachelor of Arts degree in Recreation and Leisure Studies with a concentration in Therapeutic Recreation. Hobbs has worked with senior adults since 1994. She joined the Twin Lakes team in 1998 serving first as the IL Activities Director (1998-2000), transitioning to Admissions Coordinator for both Coble Creek and Deacon Pointe (2000-2013), growing into the position of IL Resident Services Coordinator (2013-2017). She earned licensure as a Nursing Home Administrator in 2017 and is currently the Administrator for Deacon Pointe Assisted Living.

Lauren Davis Cook. Administrator, Coble Creek Healthcare and Rehabilitation.

A native of Alamance County, Lauren Cook graduated from Appalachian State University in 2004 with a Bachelor of Science degree in Sociology with a concentration in Gerontology. Cook received a Master of Arts degree in Gerontology with a focus in Administration from Appalachian State University in 2006 and joined the Twin Lakes Community family in 2007. Licensed in the state of North Carolina as a Nursing Home Administrator and Assisted Living Administrator, she currently serves as the Administrator for Coble Creek Healthcare and Rehabilitation. She also coordinates the risk management processes campus wide. Cook has served as preceptor for NC Nursing Home Administrators in Training program, where she shares her knowledge and mentors emerging professionals in the field. Previously she served on the board of American Red Cross Piedmont Carolina Chapter and chaired the Alamance County Walk to End Alzheimer's.

Tara Patton. Administrator, Moneta Springs Memory Care.

A native of Alamance County, Tara Patton graduated from Appalachian State University in 1998 with a Bachelor of Science degree in Business Administration with a concentration in Information Systems. Mrs. Patton joined the staff of Twin Lakes Community in 2008 as the Resident Services Coordinator for Independent Living. In 2012, she earned a Graduate Certificate in Gerontology from Appalachian State University. Licensed in the state of North Carolina as a Nursing Home Administrator and Assisted Living Administrator, Patton is also certified as an Aging Services Professional and Aging-in-Place Specialist. Patton was the Administrator in Deacon Pointe Assisted Living from 2013 through 2016 and is currently the Administrator for Moneta Springs Memory Care.

Laura McDaniel. Director of Resident and Community Resources.

Raised in Lawrenceville, Georgia, Laura McDaniel graduated from The University of the South (Sewanee) with a B.A. in English. Following a year of AmeriCorps Service in an Atlanta Public School she began her career serving a variety of non-profit organizations and joined Twin Lakes Community in May 2012. She completed the Non-Profit Management Certificate Program at Duke University in 2016 and is a graduate of Leadership Alamance. She currently serves on the board of the Salvation Army of Alamance County and the Parent Advisory Committee for the YMCA of Chapel Hill. She is the past president of the Blue Ridge Chapter of ALDE.

Jennifer Stovall. Sales and Marketing Director.

A lifelong resident of Alamance County, Jennifer graduated from Elon University where she majored in Business Administration and Marketing. She joined Twin Lakes Community in 2010 as Sales and Marketing Coordinator and was promoted to Director of Sales and Marketing in 2021. Stovall is a Leadership Alamance graduate and has been certified as an Aging Services Professional and an Aging-in-Place Specialist. She and her husband, Thad, are owners of “The Good Fight, LLC” a therapeutic boxing program for people with Parkinson’s disease. They are members of New Hope Baptist Church where Jennifer is assistant treasurer and she and her husband have served in the youth ministry for over 20 years.

DISCLOSURES

No member of the managerial staff or the board of directors (i) has been convicted of a felony, pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; or (ii) is subject to a currently effective injunctive or restrictive court order, or within the past five years, had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, in an action arising out of or related to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for aged, or facility subject to Chapter 58, Article 64 of the North Carolina General Statutes.

LOCATION AND DESCRIPTION OF PHYSICAL PROPERTY

Twin Lakes Community is located on approximately 215 acres of land in the Town of Elon in Alamance County, North Carolina, bordering the City of Burlington. Our campus includes 434 independent living homes, 36 apartments in Deacon Pointe Assisted Living, 104 skilled nursing beds in Coble Creek Healthcare and Rehabilitation, and 32 beds in Moneta Springs Memory Care. The independent living homes consist of 248 villas, 22 one-and two-bedroom apartments, 34 two-bedroom apartments, and 130 garden homes; in the fall of 2024 we will open 48 one-and two-bedroom apartments in the new Stockton apartment building. We provide internet access to all of our residents with a Wi-Fi system anchored by a campus-wide fiber optic cable system. In addition to providing internet access to our residents, this system is designed to support new technologies that enhance the independence and security of our residents. We are also home to an award-winning Synergy Home, in which residents can interact and experiment with devices and technologies designed to enhance independence and security for healthy aging.

Deacon Pointe Assisted living, which is known as a multi-unit housing with services facility under North Carolina law, has 36 apartments, administrative offices, and community spaces that include a salon, an ancillary therapy space, a living room, and a private dining room. Its style of architecture and programming is residential in nature and serves as an extension of the independent living lifestyle. Deacon Pointe also houses the Twin Lakes Home Care Agency, a team of nurses, certified nursing assistants, and support staff serving clients on the Twin Lakes campus and in the broader community.

Coble Creek Healthcare and Rehabilitation encompasses 104 skilled nursing beds in a beautiful, spacious new building completed in late 2021. The building also houses outpatient physical and occupational therapy in a therapy gym outfitted with a full range of therapeutic equipment and a hydrotherapy pool. All resident rooms have private baths and showers and are organized into five neighborhoods. Each neighborhood has its own activities, living, dining and sunrooms as well as a spacious outdoor garden. Each neighborhood also has its own well-stocked kitchen where meals are finished and served fresh, and where made-to-order items can be prepared for residents throughout the day. For the use and enjoyment of all residents of Twin Lakes, the central common areas of Coble Creek contain dining facilities, a salon, rehabilitation and therapy facilities, the campus chapel, a beautifully appointed family room, and a gift shop.

Moneta Springs Memory Care is home to 32 assisted living (also known as adult care home) suites. The building and programming are uniquely designed to meet the needs of persons living with cognitive declines. The suites are organized into households, each of which opens onto Town Center, the facility's activity center. Staff members in Moneta Springs receive specialized training in providing dementia care. Also housed in this building is The Harbor, a licensed adult day program, which is open six days per week and serves twelve participants each day.

The Boland Community Center is a gathering and activity building for our residents. Various civic and community groups from Alamance County regularly use the space for meetings and special events. This building houses The Terrace restaurant, the Blue Heron Pub, meeting spaces, the library and computer room, resident clubroom, and a resident art exhibit area. Administrative offices for the organization are also located in Boland.

Sullivan Park offers additional indoor activity and meeting space as well as outdoor walking trails, a botanical garden, and a quiet area for meditation and reflection. This area, known as Sullivan Park Botanical Woods, has received official wildlife habitat certification. Harris Park offers outdoor picnic shelters, walking trails, activity fields and pickleball courts for our residents and staff to enjoy.

The Fitness Center contains a multi-purpose room for exercise and education, a large gym with state-of-the-art fitness equipment, a saltwater swimming pool designed for therapeutic and recreational use, and a walking track. Through two wellness coordinators and a variety of instructors, we offer a comprehensive wellness program that includes more than 75 classes each week and personal training sessions. The building was designed to be a part of the emergency and disaster preparedness program of Twin Lakes and can serve as emergency shelter in the event of weather or other emergencies.

Our 215-acre campus contains several miles of walking paths and sidewalks. A large community garden area, a dog park and a woodworking shop are also available for resident use. In addition, numerous clubs and resident-led activities, events and excursions mean the pace at Twin Lakes is always lively.

ESTIMATED NUMBER OF RESIDENTS

As of September 30, 2023, a total of 593 persons were residing in independent living homes. In addition, 33 people were living in Deacon Pointe Assisted Living; 28 people were living in Moneta Springs Memory Care; and 89 people were living in Coble Creek Healthcare and Rehabilitation.

RELATED PARTY TRANSACTIONS

Conflict of Interest Provisions

Article XII Sections 1 and 2 of the corporation's by-laws require each board member to disclose to the other members of the board any possible conflicts of interest; these sections of the by-laws also prohibit a board member with a possible conflict of interest in any matter from voting on the matter.

ADMISSIONS AND RESIDENCY

North Carolina requires that we specifically address certain policies in this disclosure statement. Those policies include admission criteria; effects of changes in condition prior to entry by a resident, contract cancellation or termination; moves of residents initiated by the facility; marriage of residents to non-residents; and inability to pay.

Admission

Twin Lakes Community evaluates applications with several criteria in mind and usually accepts for residency those who meet the health, financial, and insurance criteria discussed below. Our goal is to create a campus of care and compassion, to foster a sense of community and belonging among our residents and staff, and to welcome to our community people of all faiths, races, cultures, sexual orientations, gender identities, veteran status and abilities.

In light of this, Twin Lakes reserves the right to accept for residency certain applicants who clearly do not meet all of the usual standards and criteria for admission and to refuse admission to certain applicants who clearly meet such standards and criteria. We do not discriminate based on an applicant's race, religion, ethnic or national origin, gender or sexual orientation, ability or veteran status.

To be accepted for residency to Twin Lakes Community and to reside in an independent living home, an applicant must have attained a minimum age of 62 and must meet certain health and financial conditions. Payment of an admission fee provides a resident with the lifetime use of a residence and the services and amenities available at the community. When an applicant is ready to reserve a home and move to Twin Lakes Community, the applicant will sign a residency contract and pay an admission fee deposit to Twin Lakes. The balance of the admission fee will be paid upon the earlier of (i) occupancy or (ii) 120 days after the residency agreement is executed. Every

resident in an independent living home must ensure that all charges, including the admission fee, occupancy charge (the monthly fee for basic services payable to the community), and all charges incurred at the option of the resident are satisfied either through direct payment or through waiver or subsidy by Twin Lakes Community.

Health Criteria for Admission

Each independent living resident must have sufficient physical and cognitive capacities to live independently without posing a danger to his or her health or to the health and safety of other Twin Lakes residents and staff.

If, between the date of the residency contract and the scheduled occupancy, an applicant's health should decline to a level that impairs the applicant's ability to live independently, Twin Lakes may exercise its right to terminate the contract, and the applicant will not be allowed to take up residency in an independent living unit. In such case, any fees paid prior to residency would be refunded to the applicant in accordance with the provisions of the contract.

Financial and Insurance Criteria

Twin Lakes Community is committed to providing service to people from all points along the economic spectrum. If an applicant is unable to pay the total cost of his or her stay at Twin Lakes, the applicant may request financial assistance. Assistance with the cost of care is made on a case-by-case basis, and requests for assistance will remain confidential.

An applicant must also have or obtain health insurance that meets the criteria of Twin Lakes Community. Medicare (or an equivalent for those not eligible) is required, and the applicant should be able to produce evidence of such coverage. In order for financial assessment and analysis to be done properly, the applicant must submit a current financial statement to Twin Lakes Community prior to admission.

Cancellation and/or Termination

A residency contract creates a binding legal obligation on both the resident and Twin Lakes Community. However, there may be circumstances which necessitate that either the resident or Twin Lakes rescind or terminate the contract.

If a resident dies before occupying a home at Twin Lakes, or if, on account of illness, injury, or incapacity, a resident would be precluded from occupying a home at Twin Lakes under the terms of the contract for residency, the contract is automatically cancelled.

A resident may rescind the residency contract within thirty (30) days from the date on which they execute the contract or receive a disclosure statement from us, whichever later occurs. Upon rescinding, the resident is entitled to receive a full refund of any money transferred to Twin Lakes Community less the following: (1) costs incurred by Twin Lakes at the request of the resident, (2) any monthly occupancy charge or other applicable periodic charges, (3) any charges incurred by the resident until the time of rescission, and (4) a service charge equal to 2% of the resident's admission fee.

If a resident chooses to terminate the contract, the refund will be paid to the resident by Twin Lakes Community within sixty (60) days of the later of 1) the conclusion of the resident’s residency at Twin Lakes or 2) after Twin Lakes Community has re-leased the living unit and another resident has paid the admission fee. No interest will be paid on the refundable amount. If within the thirty (30) day rescission period the resident has not taken up occupancy and terminates the contract due to illness, injury, or incapacity which precludes the resident from occupying the living unit, the resident shall receive a refund of all money or property transferred to Twin Lakes less the costs specifically incurred by Twin Lakes at the request of the resident.

Declining Refund: If a resident enters into a contract with a fully-declining refundable admission fee, then after the initial occupancy date, the resident may terminate the contract by giving a written notice to Twin Lakes and shall receive a refund in an amount calculated using the following formula:

Amount of Refund in Dollars	EQUALS	$\left(\frac{\text{Admission Fee X } 96\%}{912} \right)$	X	$\left(912 \text{ MINUS } \begin{array}{l} \text{Number of Days} \\ \text{(Full or Partial) in} \\ \text{your Accrual} \\ \text{Period as} \\ \text{determined below.} \end{array} \right)$
<i>(ref. 9.e.i in contract)</i>				

In other words, the refund amount declines ratably over a 30-month period that begins on the resident’s initial occupancy date. As defined in the residency contract, the “Initial Occupancy Date” is “the date on which you receive keys to your Living Unit or that is 120 days after the date of this contract, whichever occurs first; provided, however, that if your Living Unit is not ready for occupancy on that date, then we will provide you with a Notice of Availability specifying the Initial Occupancy Date; provided further that if you receive your keys during the 30-day rescission period, your initial occupancy date shall be deemed to be the 31st day after the date of this contract.” The amount that declines ratably is equal to 96% of the resident’s admission fee.

50% Refundable Refund: If a resident enters into a 50% refundable contract, then after the initial occupancy date, the resident may terminate the contract by giving a written notice to Twin Lakes and shall receive a refund in an amount calculated using the following formula.

Amount of Refund in Dollars	=	50% of Admission Fee	+	$\left[\left(\frac{50\% \text{ of Admission Fee X } 96\%}{912} \right) \right]$	x	$\left(912 \text{ MINUS } \begin{array}{l} \text{Number of Days} \\ \text{(Full or Partial) in your} \\ \text{Accrual Period} \\ \text{as determined below} \end{array} \right)$
<i>(ref. 9.e.i in contract)</i>						

In other words, the refund amount is equal to the sum of two components. The first component is a fixed amount equal to 50% of the resident’s admission fee. The second component is an amount that declines ratably over a 30-month period equal to 96% of the remaining 50% of the resident’s admission fee.

A resident’s right to occupy the independent living unit may be terminated by Twin Lakes Community if (a) Twin Lakes determines after consulting with a physician selected by Twin Lakes, the resident is no longer capable of residing in the living unit without posing a danger to his/her own health or that of other residents of Twin Lakes; (b) the resident requires care which

Twin Lakes does not or cannot provide; (c) in the sole judgment of the board of directors the resident is not compatible with other residents of Twin Lakes or is disruptive of the Twin Lakes environment; (d) the resident fails to pay the monthly charge for the living unit or charges for other services and facilities provided by Twin Lakes; or (e) the resident requests financial assistance and it has been determined that such financial difficulties are the result of gift giving, imprudent disbursement of financial resources, or intentional sheltering of assets.

After a resident takes up occupancy in a living unit, the resident shall have the exclusive right to occupy the living unit in accordance with the terms of the contract with Twin Lakes, and such living unit shall not be made available by Twin Lakes to any other resident so long as the resident is living and the residency contract has not been breached or terminated. If the residency contract is entered into by two individuals for the joint residency of a single living unit, then the following provisions shall apply:

- a. The right to occupy the living unit shall belong to both residents jointly until the right to occupy has been terminated as to one of them in the manner provided for in the residency contract.
- b. If the right to occupy by one of the joint residents shall be terminated as provided for in the residency contract, then the remaining joint resident shall have the right to continue to occupy the living unit under the terms of the residency contract at the regular monthly occupancy charge as provided in the residency contract.

Moves

Twin Lakes Community may require a resident to move from an independent living unit to an assisted living unit, or to a healthcare or memory care room if it is determined that the resident's physical or mental condition precludes independent living. Such action will normally be taken only after determination that in all probability the condition is irreversible and that there is little possibility of recovery that would permit the resident to live independently.

The decision for a resident to move from one level of care to another will normally occur only after appropriate consultation with the resident, the resident's family or representative, or a party responsible for the resident. It is the desire of Twin Lakes that these decisions be reached with the consensus of all parties involved. Twin Lakes retains the right to make the final decision.

Marriages/New Second Occupant

If a resident marries someone who also is a resident of Twin Lakes under a CCRC contract, the couple may surrender one of their living units and choose to occupy one. Any refund of admission fee will be made in accordance with the terms of the residency contract on the surrendered unit. The couple will begin paying the monthly occupancy charge for two occupants in a single unit when they have surrendered one of the units.

If a resident marries someone who is not a resident of Twin Lakes under a CCRC contract ("New Spouse"), the New Spouse may become a resident of the resident's living unit with all the rights, privileges and duties of a CCRC contract holder if the New Spouse 1) meets all the current requirements for admission to the type of living unit the resident occupies; 2) signs a residency contract and any amendments we deem necessary; and 3) pays an additional admission fee, the amount to be determined by Twin Lakes. If the New Spouse does not meet the admissions

requirements of Twin Lakes or chooses not to become a CCRC contract holder with Twin Lakes, the resident may request that the New Spouse be permitted to occupy the resident's living unit. If the New Spouse's occupancy is approved, the resident will pay a second person monthly occupancy charge for the New Spouse, but the New Spouse will have no rights under the residency contract and no claim for care, services or residency from Twin Lakes. In the event the resident predeceases the New Spouse, and the New Spouse thereafter qualifies for admission and wishes to remain at Twin Lakes, the New Spouse must pay, in addition to the applicable monthly occupancy charge, the admission fee then applicable to the unit. Further, if the New Spouse does not wish to remain at Twin Lakes or does not qualify for admission or does not pay the applicable admission fee, then the New Spouse must vacate the unit within sixty (60) days of written notification by Twin Lakes Community.

Inability to Pay

If a resident experiences financial difficulties while living at Twin Lakes Community, the resident may submit a request to Twin Lakes for financial assistance. Each request will be considered on an individual basis. Financial difficulties resulting from a resident's gift giving, imprudent disbursement of financial resources, or intentional sheltering of assets will not be grounds for financial assistance. The resident will be allowed to remain in the unit during the time the President/CEO is evaluating the request and during such periods of time as the President/CEO approves the resident's request for financial assistance.

Services

A person who enters into a residency contract with Twin Lakes for residency in an independent living unit pays a non-refundable \$250 application fee, a one-time admission fee, and a monthly occupancy charge. Twin Lakes provides a specified apartment, villa or garden home for this resident. The monthly occupancy charge covers the following basic services as noted in these excerpts from the current residency contracts:

- a. **Insurance**. We carry fire and extended coverage insurance on our buildings and liability coverage for the Retirement Community. You are responsible for the cost of property and casualty and liability insurance for your personal belongings and other personal property located at the Retirement Community. We do not carry insurance on your personal property.
- b. **Utilities**. We furnish and pay for the cost of heat and electricity, air conditioning, cable television service, internet service, water and sewer services, and trash collection. You are responsible for the cost of installation of telephone service and the monthly charges for that service.
- c. **Fixtures**. We furnish your home with window blinds, an electric range, a built-in microwave, a refrigerator, and a garbage disposal. Washing machines and clothes dryers are accessible to apartment units; washing machines, clothes dryers and dishwashers are standard in all other floor plans.
- d. **General Maintenance of Common Areas and Grounds**. We maintain all common areas and grounds.
- e. **Parking Spaces**. You and your guests are entitled to the nonexclusive use of the parking areas designated on the Retirement Community premises for resident and visitor parking.
- f. **Recreational, Social and Religious Activities**. We provide recreational, physical, social, spiritual, educational and cultural activities as we determine in our discretion.

- g. Emergency Assistance. Our nursing and EMT staff members are on call twenty-four hours a day for emergencies.
- h. Maintenance of Living Unit and Fixtures. We maintain the structural portion of your home and the fixtures described in listing in “c. Fixtures” above. This maintenance does not include housekeeping or maintenance of your personal property.
- i. Group Transportation. We provide regularly scheduled group transportation to selected medical facilities, shopping malls and grocery stores. The schedule and locations may be adjusted, modified, and changed at our discretion.
- j. Annual Cleaning. Our housekeeping staff will perform an annual cleaning of your home at no additional charge to you. Advance notice will be given for annual cleaning dates.
- k. Grace Days. We will use good faith efforts to make available each calendar year up to three days per independent living resident of temporary care in one of our facilities without additional occupancy charge to the resident. These grace days do not renew in the event of a long-term move to healthcare. These grace days shall not be cumulative or transferable to another resident. Please note that fees for services (including, but not limited to, salon, therapy, transportation, and pharmacy) used during a stay in Coble Creek Healthcare will not be waived.

Services Available at Extra Charge

For an additional charge established from time to time by Twin Lakes Community, a resident may have the following optional services provided: meal service, housekeeping and laundry, transportation services to specific places, rehabilitation services, and personal care services.

Personal Services Available

Salon. A salon is provided by Twin Lakes Community in Coble Creek Healthcare. Full services are provided by licensed cosmetologists at competitive rates. Hours are convenient and appointments are encouraged.

Gift Shop. A gift shop is sponsored and operated by the Twin Lakes Auxiliary, a volunteer organization, and is located in Coble Creek Healthcare. Profits from the shop’s operation are used by the Auxiliary in its work in support of Twin Lakes Community.

Guest Quarters. Twin Lakes Community has a guest house and guest rooms for guests of Twin Lakes residents. Rates currently are \$65 - \$135 per night. Requests for reservations are made through the independent living department. The guest quarters are also available to prospective residents of Twin Lakes Community on an as-available basis.

Fees

The following table shows the fee schedule for Twin Lakes Community. The monthly occupancy charge for basic services and the periodic charges for supplemental services may be adjusted from time to time at the sole discretion of the board of directors. It is the practice of Twin Lakes not to change the monthly occupancy charge more than once each fiscal year, but we reserve the right to make more frequent changes should we deem it appropriate. A number of financial, economic, program and regulatory factors must be considered in developing the annual operating budget and potential increases in resident service fees. These factors include, but are not limited to: competitive market pressures such as employee wages and benefits, insurance costs, and cost of capital; projected increases from vendors and other providers of goods and services; adjustments in governmental programs such as Medicare and Medicaid; additional resident service programs; repair and maintenance of facilities; and technological advances. A schematic showing the frequency and average dollar amount of increase in monthly and daily occupancy charges over the past five years follows the table of fees.

		<u>ADMISSION FEES*</u>		<u>MONTHLY FEES</u>	
		STANDARD REFUND	50% REFUND	SINGLE	DOUBLE
ALDERSGATE & BRANDENBURG					
APARTMENTS:					
Heather; 1BR/1BA	600 SF	\$61,000	\$91,000	\$1,852	\$2,577
Laurel; 2BR/1BA	800 SF	\$71,000	\$108,000	\$2,092	\$2,817
WITTENBERG APARTMENTS:					
Edelweiss; 1BR/1BA	819 SF	\$83,000	\$125,000	\$2,321	\$3,046
Iris; 2BR/2BA	969 SF	\$100,000	\$149,000	\$2,422	\$3,147
Valerian; 2BR/2BA	1007 SF	\$100,000	\$149,000	\$2,422	\$3,147
<i>There is a \$6,000 second person Entrance Fee for Apartments and Wittenberg.</i>					
VILLAS: 2BR/2BA					
Acacia	1311 SF	\$138,000	\$207,000	\$2,629	\$3,354
Chestnut	1311 SF	\$147,000	\$221,000	\$2,629	\$3,354
Aspen	1311 SF	\$153,000	\$230,000	\$2,629	\$3,354
Birch	1602 SF	\$191,000	\$287,000	\$2,732	\$3,457
Dogwood	1677 SF	\$204,000	\$307,000	\$2,732	\$3,457
<i>There is a \$12,000 second person Entrance Fee for Villas.</i>					
GARDEN HOMES: 3BR/2BA					
Juniper	1750 SF	\$258,000	\$387,000	\$2,923	\$3,669
Evergreen	1888 SF	\$279,000	\$418,000	\$3,125	\$3,871
Forsythia	1960 SF	\$294,000	\$442,000	\$3,125	\$3,871
Gardenia	2000 SF	\$306,000	\$458,000	\$3,324	\$4,070
Holly	2200 SF	\$336,000	\$505,000	\$3,518	\$4,264

There is a \$17,000 second person Entrance Fee for Garden Homes.

**Standard contracts have a 30-month declining refund; 50% contracts have no time limitations.*

Deacon Pointe, Assisted Living Apartments:

Small apartment	\$5,960 monthly
Large apartment	\$6,341 monthly

Coble Healthcare, Skilled Nursing Rooms:

Private	\$358 a day
Market Rate	\$380 a day (Non-Community Members)

Memory Care Rooms:

Semi-private	\$332 a day
Private	\$342 a day

PERIODIC CHARGES as needed:

Adult Day Care: 1-2 days per week: \$81 per day 3+ days per week: \$75 per day

Home Care Services \$26 per hour **Housekeeping:** \$26 per hour

OCCUPANCY CHARGES FOR PREVIOUS FIVE FISCAL YEARS

	FY 2018/ 2019	FY 2019/ 2020	FY 2020/ 2021	FY 2021/ 2022	FY 2022/ 2023
(MONTHLY)					
Heather (1BR)	\$ 1,533	\$ 1,590	\$ 1,634	\$ 1,683	\$ 1,755
Laurel (2BR)	\$ 1,733	\$ 1,789	\$ 1,847	\$ 1,902	\$ 1,983
(MONTHLY)					
Wittenberg (1BR)	\$ 1,922	\$ 1,994	\$ 2,049	\$ 2,110	\$ 2,200
Wittenberg (2BR)	\$ 2,006	\$ 2,081	\$ 2,138	\$ 2,202	\$ 2,296
(MONTHLY)					
Villa A/C	\$ 2,176	\$ 2,258	\$ 2,320	\$ 2,390	\$ 2,492
Villa B	\$ 2,262	\$ 2,347	\$ 2,412	\$ 2,484	\$ 2,590
Villa D	\$ 2,262	\$ 2,347	\$ 2,412	\$ 2,484	\$ 2,590
(MONTHLY)					
Garden J	\$ 2,421	\$ 2,512	\$ 2,581	\$ 2,658	\$ 2,771
Garden E/F	\$ 2,587	\$ 2,684	\$ 2,758	\$ 2,841	\$ 2,962
Garden G	\$ 2,753	\$ 2,856	\$ 2,935	\$ 3,023	\$ 3,151
Garden H/I	\$ 2,914	\$ 3,023	\$ 3,106	\$ 3,199	\$ 3,335

	FY 2018/ 2019	FY 2019/ 2020	FY 2020/ 2021	FY 2021/ 2022	FY 2022/ 2023
(MONTHLY)	<u>Large</u>	<u>Large</u>	<u>Large</u>	<u>Large</u>	<u>Large</u>
Deacon Pointe	\$5,250	\$5,447	\$5,597	\$5,765	\$6,010
Assisted Living	<u>Small</u>	<u>Small</u>	<u>Small</u>	<u>Small</u>	<u>Small</u>
<i>(3 meals included)</i>	\$4,935	\$5,120	\$5,261	\$5,419	\$5,649
(DAILY)	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>
Coble Creek	\$ 284	\$ 295	\$ 310	\$ 320	\$ 338
Healthcare	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>		
Skilled Nursing	\$ 274	\$ 285	\$ 300		
& ACH					
(DAILY)	<u>Private</u>	<u>Private</u>	<u>Private</u>		
Moneta Springs	\$ 301	\$ 312	\$ 320		
Memory Care	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>		
Skilled Nursing	\$ 291	\$ 302	\$ 310		
(DAILY)	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>
Moneta Springs	\$ 291	\$ 302	\$ 310	\$ 310	\$ 323
Memory Care	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>
ACH	\$ 281	\$ 292	\$ 300	\$ 300	\$ 313

All rates above are for SINGLE occupancy.

DOLLAR INCREASES IN MONTHLY & DAILY OCCUPANCY CHARGES

	FY 2018/ 2019	FY 2019/ 2020	FY 2020/ 2021	FY 2021/ 2022	FY 2022/ 2023	5 YR. AVE. INCREASE
(MONTHLY)						
Heather (1BR)	\$50	\$57	\$44	\$49	\$72	\$54.40
Laurel (2BR)	\$57	\$56	\$58	\$55	\$81	\$61.40
(MONTHLY)						
Wittenberg (1BR)	\$63	\$72	\$55	\$61	\$90	\$68.20
Wittenberg (2BR)	\$66	\$75	\$57	\$64	\$94	\$71.20
(MONTHLY)						
Villa A/C	\$72	\$82	\$62	\$70	\$102	\$77.60
Villa B	\$74	\$85	\$65	\$72	\$106	\$80.40
Villa D	\$74	\$85	\$65	\$72	\$106	\$80.40

	FY 2018/ 2019	FY 2019/ 2020	FY 2020/ 2021	FY 2021/ 2022	FY 2022/ 2023	5 YR. AVE. INCREASE
(MONTHLY)						
Garden J	\$80	\$91	\$69	\$77	\$113	\$86.00
Garden E/F	\$85	\$97	\$74	\$83	\$121	\$92.00
Garden G	\$91	\$103	\$79	\$88	\$128	\$97.80
Garden H/I	\$96	\$109	\$83	\$93	\$136	\$103.40
(MONTHLY)						
DeaconPointe Assisted Living (3 meals included)	<u>Large</u> \$173	<u>Large</u> \$197	<u>Large</u> \$150	<u>Large</u> \$168	<u>Large</u> \$245	\$186.60
	<u>Small</u> \$162	<u>Small</u> \$185	<u>Small</u> \$141	<u>Small</u> \$158	<u>Small</u> \$230	\$175.20
(DAILY)						
Coble Creek Healthcare Skilled Nursing and ACH	<u>Private</u> \$10	<u>Private</u> \$11	<u>Private</u> \$15	<u>Private</u> \$10	<u>Private</u> \$18	\$12.80
	<u>Semi-pvt.</u> \$10	<u>Semi-pvt.</u> \$11	<u>Semi-pvt.</u> \$15			\$7.20
(DAILY)						
Moneta Springs Memory Care Skilled Nursing	<u>Private</u> \$10	<u>Private</u> \$11	<u>Private</u> \$8			\$5.80
	<u>Semi-pvt.</u> \$10	<u>Semi-pvt.</u> \$11	<u>Semi-pvt.</u> \$8			\$5.80
(DAILY)						
Moneta Springs Memory Care and ACH	<u>Private</u> \$10	<u>Private</u> \$11	<u>Private</u> \$8	<u>Private</u> \$0	<u>Private</u> \$13	\$8.40
	<u>Semi-pvt.</u> \$10	<u>Semi-pvt.</u> \$11	<u>Semi-pvt.</u> \$8	<u>Semi-pvt.</u> \$0	<u>Semi-pvt.</u> \$13	\$8.40

August 26, 2023

3701 Wade Coble Drive
Burlington, NC 27215

Dear Resident Name(s):

At the meeting of our Board of Directors on August 22, 2023, the Twin Lakes Community operating budget and resident fee schedules for the fiscal year October 1, 2023 through September 30, 2024 were reviewed and approved. Effective October 1, 2023, Independent Living resident monthly occupancy charges will increase by 5.5% over current rates.

The monthly occupancy charge for your residence beginning October 1, 2023, including any applicable second person charge, will be \$New Rate. A copy of the entire fee schedule is included with this letter.

We recognize that this fee increase is higher than in years past. Core inflation and wage inflation continue to be primary contributors to the increased cost of providing care, services, and amenities to our residents. The Board of Directors and members of the management team remain committed to keeping annual rate increases as low as possible while balancing the need to maintain and improve our services and our facilities. This approach protects the financial strength and stability of our community and ensures that your investment here is secure for you. In addition, our financial reserves enable us to invest in maintaining the beauty of our campus and to respond quickly to emergencies and uncertainties without affecting your fees.

We have scheduled two meetings to discuss our budget with you and to answer questions you may have. Both meetings will be held in the Chapel in the Coble Creek Healthcare building. The first is scheduled for Thursday, August 31 at 10:00 a.m. The second will be held on Tuesday, September 5 at 2:00 p.m. We look forward to seeing you at one of these meetings.

Sincerely,



Jackie S. Cole
Chair of the Board of Directors



Pamela S. Fox
President / Chief Executive Officer

RESERVES, ESCROWS, AND TRUSTS

Reserves

N.C.G. S. 58-64-33 requires Twin Lakes Community, as a CCRC, to maintain an operating reserve equal to 50 % of total operating costs projected for the subsequent year, or 25% of such total operating costs, if our occupancy level exceeds 90%.

Twin Lakes Community has exceeded the 90% occupancy requirement since its first year of operation (1983) and anticipates the occupancy level to continue to exceed the 90% requirement.

The required reserve is based on a modified annual operating expense and occupancy level. Twin Lakes Community meets required reserve requirements now and is projected to continue in that position.

On September 30, 2023, there was \$11,104,620 in cash and operating reserves and a reserve requirement of \$8,965,600.

2023-2024 Projected Total Operating Costs:	\$ 43,647,900
Add Payments of Long-Term Debt	1,435,000
Minus Depreciation and Amortization	<u>(9,220,600)</u>
Operating Reserve Requirement:	
Total Operating Costs for 2023-2024:	\$ 35,862,300
TOTAL Operating Reserve Required as of September 30, 2023 for the 2023-2024 fiscal year: (25% based on occupancy exceeding 90%)	\$ 8,965,600

The responsibility for maintenance of the reserves and the investing of the reserves rests with the President/CEO and the Chief Financial Officer. All investment decisions are shared with the Executive and Finance Committees of the board of directors and subsequently reported to the board of directors.

As of September 30, 2023, Operating Reserve Investments were as follows:

Investment Account:	
Fixed Income Securities	\$ 6,873,882
Equity Securities	4,214,035
Accrued Interest	<u>16,703</u>
	<u>\$ 11,104,620</u>

FINANCIAL FORECAST

The financial forecast included in this Disclosure Statement for the years ending September 30, 2024 through September 30, 2028, includes the following construction during the next five years. There will usually be differences between forecasted and actual construction because the events and circumstances frequently do not occur as expected and those differences may be material.

Description of Construction	Year	Cost
Renovations & Capital Replacement	2024	2,409,700
Site Development	2024	300,000
Apartment Buildings - IL (Phase 1)	2025	61,300,000
Renovations & Capital Replacement	2025	2,200,000
Site Development	2025	1,276,800
Renovations & Capital Replacement	2026	2,200,000
Site Development	2026	300,000
Renovations & Capital Replacement	2027	2,200,000
Site Development	2027	300,000
Renovations & Capital Replacement	2028	2,200,000
Site Development	2028	300,000
		\$ 74,986,500
<i>Less Costs Incurred thru 9-30-23</i>		<i>(16,661,900)</i>
		\$ 58,324,600

Twin Lakes has continually developed and renovated its campus throughout its 40-year history. Twin Lakes uses a master campus plan that projects construction projects up to ten years in the future. Our goal is to maintain the soundness of our facilities and the beauty of our campus, both for current residents and for prospective residents. This forecast also projects we will spend approximately \$2,200,000 each year to renovate existing structures and replace existing equipment. This five-year forecast also includes the construction of a 48-unit Independent Living Apartment building as well as a Community building and Memorial Garden Chapel. The 48-unit Independent Living Apartment building (Stockton) will be financed through the issuance of tax-exempt bonds.

FINANCIAL DATA

Financial Overview Statement: Twin Lakes Community has been operated as a retirement community since 1983. It has a history of fulfilling its obligations to its residents, and to that end has operated in a fiscally conservative manner. Its financial position is strong and the board of directors has an operating philosophy consistent with maintaining that financial strength.

Certified Financial Statements: Copies of the certified financial statements for the year ending September 30, 2023 are included as **Attachment 1**.

Five-Year Projection Statements: Copies of the Five-Year Projection Statements, Balance Sheet, Statement of Operations, Statement of Cash Flows, and Statement detailing all significant assumptions, including an independent CPA Compilation Statement are included as **Attachment 2**.

Forecasted versus Actual: Included as **Attachment 3** is a comparison of ACTUAL Balance Sheet, Statement of Operations, and Statement of Cash Flows for 2022-2023 versus the PROJECTED Balance Sheet, Statement of Operations, and Statement of Cash Flows included in last year's disclosure statement.

Residency Contract: A copy of the LRM/Twin Lakes Community Residency Contract is included as **Attachment 4**. *Note: There are two contracts – one for declining refunds and one for 50% refundable contracts.*

Interim Financial Statements

A copy of the LRM Interim Financial Statements as of December 31, 2023 is included as **Attachment 5**.

**LUTHERAN RETIREMENT MINISTRIES
OF ALAMANCE COUNTY, NORTH CAROLINA
d/b/a
TWIN LAKES COMMUNITY
DISCLOSURE STATEMENT
ATTACHMENT 1
CURRENT CERTIFIED FINANCIAL STATEMENT**

**Lutheran Retirement Ministries
of Alamance County,
North Carolina**

Financial Statements

September 30, 2023 and 2022

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Independent Auditors' Report

The Board of Directors
Lutheran Retirement Ministries of Alamance County, North Carolina
Burlington, North Carolina

Opinion

We have audited the accompanying financial statements of Lutheran Retirement Ministries of Alamance County, North Carolina (a nonprofit organization) which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of operations, changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lutheran Retirement Ministries of Alamance County, North Carolina as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lutheran Retirement Ministries of Alamance County, North Carolina and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Lutheran Retirement Ministries of Alamance County, North Carolina's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility 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 auditors' 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 generally accepted auditing standards 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.

In performing an audit in accordance with generally accepted auditing standards, 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 Lutheran Retirement Ministries of Alamance County, North Carolina '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 Lutheran Retirement Ministries of Alamance County, North Carolina'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.

Dillian Bell Mose LLP

Certified Public Accountants
Burlington, North Carolina
January 24, 2024

Lutheran Retirement Ministries of Alamance County, North Carolina
Statements of Financial Position
September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 18,883,441	\$ 17,339,319
Investments	8,048,073	7,412,233
Accounts receivable - net	1,754,008	1,301,380
Prepaid expenses	41,719	94,021
Inventory	369,027	421,049
Grant receivable - see note 31	5,118,623	-
	<u>34,214,891</u>	<u>26,568,002</u>
Total current assets		
Assets whose use is limited:		
Cash and cash equivalents	2,577,912	2,376,291
Cash held for state operating reserve	310,815	377,711
Investments	3,136,467	2,772,442
Investments held for state operating reserve	8,645,342	7,979,698
Interest receivable restricted for state operating reserve	8,093	20,241
	<u>14,678,629</u>	<u>13,526,383</u>
Total assets whose use are limited		
Other assets:		
Long-term investments	436,614	336,378
Derivative contract	4,290,481	1,428,910
Property and equipment - net	158,729,938	152,492,910
	<u>163,457,033</u>	<u>154,258,198</u>
Total other assets		
Total assets	<u><u>\$ 212,350,553</u></u>	<u><u>\$ 194,352,583</u></u>

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

Lutheran Retirement Ministries of Alamance County, North Carolina
Statements of Financial Position
September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Liabilities		
Current liabilities:		
Current maturities of long-term debt	\$ 1,435,000	\$ 1,385,000
Accounts payable	901,478	890,689
Construction contracts payable	3,299,768	1,520,947
Accrued expenses	3,034,836	2,686,802
Current portion of deferred revenue	3,981,449	4,353,942
Deposits on unoccupied units	<u>463,495</u>	<u>202,284</u>
Total current liabilities	13,116,026	11,039,664
Long-term debt, excluding current maturities	73,312,348	65,582,483
Deferred revenue	42,021,143	39,996,131
Refundable admission fees	<u>17,952,435</u>	<u>18,295,400</u>
Total liabilities	<u>146,401,952</u>	<u>134,913,678</u>
Net Assets		
Without donor restrictions:		
Designated by board	18,560,593	17,201,719
Undesignated	<u>42,593,374</u>	<u>37,876,238</u>
Total without donor restrictions	<u>61,153,967</u>	<u>55,077,957</u>
With donor restrictions:		
Purpose restriction	1,559,396	1,541,038
Perpetual in nature	<u>3,235,238</u>	<u>2,819,910</u>
Total with donor restrictions	<u>4,794,634</u>	<u>4,360,948</u>
Total net assets	<u>65,948,601</u>	<u>59,438,905</u>
Total liabilities and net assets	<u><u>\$ 212,350,553</u></u>	<u><u>\$ 194,352,583</u></u>

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

Lutheran Retirement Ministries of Alamance County, North Carolina
Statements of Operations

For the Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Admission fees earned	\$ 4,702,495	\$ 5,100,082
Ancillary services	984,169	918,609
Assisted living	2,341,192	1,736,084
Dietary	473,236	369,912
Home care and adult day care	518,716	613,463
Independent living facilities	14,334,002	13,712,614
Memory care	3,038,144	2,855,508
Nursing care	11,940,408	10,477,111
Other operating revenues from residents	<u>462,823</u>	<u>432,825</u>
Total operating revenues	38,795,185	36,216,208
Operating Expenses		
Activities and social services	421,863	375,040
Ancillary services	1,116,474	1,061,456
Assisted living	1,296,343	1,191,434
Home care and adult day care	768,713	797,869
Independent living	2,082,008	2,005,397
Memory care	2,789,199	2,541,353
Nursing services	7,021,491	6,319,668
Support services	10,452,907	9,558,344
Administrative and general	4,981,332	4,185,538
Depreciation	8,804,858	8,119,901
Interest and related fees	<u>2,465,980</u>	<u>2,197,223</u>
Total operating expenses	<u>42,201,168</u>	<u>38,353,223</u>
(Loss) gain on disposal of property and equipment	<u>(149,560)</u>	<u>271,700</u>
Operating loss	<u>\$ (3,555,543)</u>	<u>\$ (1,865,315)</u>

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

Lutheran Retirement Ministries of Alamance County, North Carolina
Statements of Changes in Net Assets
For the Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Change in Net Assets without Donor Restrictions:		
Operating loss	\$ (3,555,543)	\$ (1,865,315)
Donations without donor restrictions	195,387	227,725
Investment return - net	913,588	710,900
Net unrealized gain (loss) on investments	513,995	(1,393,789)
Net unrealized gain on derivative contract	2,861,571	2,243,151
Grant income	5,118,623	-
Interfund transfers	46,747	41,315
Net assets transferred to restrictions	<u>(18,358)</u>	<u>(127,811)</u>
 Increase (decrease) in net assets without donor restrictions	 <u>6,076,010</u>	 <u>(163,824)</u>
Change in Net Assets with Donor Restrictions:		
Endowment donations	72,073	27,051
Investment return - net	105,382	172,620
Net unrealized gain (loss) on investments	284,620	(745,968)
Interfund transfers	(46,747)	(41,315)
Net assets transferred from those without restrictions	<u>18,358</u>	<u>127,811</u>
 Increase (decrease) in net assets with donor restrictions	 <u>433,686</u>	 <u>(459,801)</u>
 Increase (decrease) in net assets	 \$ 6,509,696	 \$ (623,625)
 Net assets - beginning	 <u>59,438,905</u>	 <u>60,062,530</u>
 Net assets - ending	 <u>\$ 65,948,601</u>	 <u>\$ 59,438,905</u>

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

Lutheran Retirement Ministries of Alamance County, North Carolina
Statements of Functional Expenses

For the Years Ended September 30, 2023 and 2022

	Program Services	Fundraising	Management and General	2023	Program Services	Fundraising	Management and General	2022
Advertising	\$ -	\$ -	\$ 123,529	\$ 123,529	\$ -	\$ -	\$ 104,865	\$ 104,865
Bad debt	138,944	-	-	138,944	30,038	-	-	30,038
Contracted services	2,147	-	-	2,147	2,533	-	-	2,533
Contributions	112,613	30,110	-	142,723	97,666	52,337	-	150,003
Depreciation	8,628,761	-	176,097	8,804,858	7,957,503	-	162,398	8,119,901
Employee benefits	3,522,759	12,367	320,115	3,855,241	3,255,118	10,819	295,980	3,561,917
Food purchases	1,191,653	-	-	1,191,653	1,006,524	-	-	1,006,524
Insurance	1,163,536	-	23,746	1,187,282	904,250	-	18,454	922,704
Interest and related fees	2,416,660	-	49,320	2,465,980	2,153,279	-	43,944	2,197,223
Legend drugs	84,745	-	-	84,745	103,418	-	-	103,418
Other expenses	-	20,814	-	20,814	-	24,167	-	24,167
Outside consultants	1,025,603	-	277,609	1,303,212	952,082	-	26,773	978,855
Professional fees	-	-	121,877	121,877	-	-	136,909	136,909
Salaries and wages	15,124,323	49,579	1,587,208	16,761,110	13,899,232	49,651	1,551,041	15,499,924
Supplies and other expenses	3,321,145	-	915,906	4,237,051	3,168,310	-	802,531	3,970,841
Utilities	1,724,802	-	35,200	1,760,002	1,512,533	-	30,868	1,543,401
Total expenses	\$ 38,457,691	\$ 112,870	\$ 3,630,607	\$ 42,201,168	\$ 35,042,486	\$ 136,974	\$ 3,173,763	\$ 38,353,223

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

Lutheran Retirement Ministries of Alamance County, North Carolina
Statements of Cash Flows

For the Years Ended September 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Cash received from residents and third party payers	\$ 40,214,237	\$ 36,090,984
Investment income received	577,833	343,212
Donations - net	108,664	133,722
Cash paid to suppliers and employees	(30,652,740)	(28,503,771)
Interest paid and related fees	(2,356,234)	(2,197,223)
Net cash provided by operating activities	7,891,760	5,866,924
Cash Flows from Investing Activities		
Acquisition of property and equipment	(13,321,597)	(6,907,507)
Interest capitalized on construction in progress	(148,988)	(784,011)
Proceeds from sale of property and equipment	6,287	618,069
Proceeds from sale of investments	11,444,392	8,184,179
Purchases of investments	(11,929,589)	(8,235,455)
Net cash used in investing activities	(13,949,495)	(7,124,725)
Cash Flows from Financing Activities		
Refundable admission fees received	506,985	981,250
Admission fees refunded	(849,150)	(487,775)
Proceeds from Memorial Garden fees	41,250	23,750
Endowment donations	72,073	27,051
Debt proceeds	10,043,901	3,075,247
Payments on bond closing costs	(693,477)	-
Principal payments on long-term debt	(1,385,000)	(1,335,000)
Net cash provided by financing activities	7,736,582	2,284,523
Net increase in cash and cash equivalents	1,678,847	1,026,722
Cash and cash equivalents - beginning	20,093,321	19,066,599
Cash and cash equivalents - ending	\$ 21,772,168	\$ 20,093,321
Supplemental disclosures		
Cash paid for interest	\$ 2,505,222	\$ 2,683,648
Supplemental disclosure of non-cash activities		
Acquisition of property and equipment in accounts payable	\$ 3,347,213	\$ 1,620,065

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

Lutheran Retirement Ministries of Alamance County, North Carolina
Statements of Cash Flows

For the Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 6,509,696	\$ (623,625)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Endowment donations	(72,073)	(27,051)
Net unrealized gain on derivative contract	(2,861,571)	(2,243,151)
Memorial Garden earnings	(13,250)	(16,500)
Loss (gain) on disposal of property and equipment	149,560	(271,700)
Amortization of deferred revenues from admission fees	(4,702,495)	(5,100,082)
Receipt of non-refundable admission fees	6,587,425	5,596,171
Refunds on non-refundable contracts	-	(249,020)
Depreciation	8,804,858	8,119,901
Amortization of debt issuance costs	80,323	39,062
Amortization of bond premium	(265,882)	(265,882)
Net unrealized (gain) loss on investments	(798,615)	2,139,757
Net realized gain on investments	(481,933)	(575,412)
Changes in operating assets and liabilities:		
Increase in receivables	(440,480)	(316,713)
Increase in grant receivable	(5,118,623)	-
Decrease (increase) in inventory	52,022	(48,488)
Decrease (increase) in prepaid expenses	52,302	(58,275)
Increase (decrease) in accounts payable	62,462	(143,928)
Increase (decrease) in accrued expenses	348,034	(88,140)
	<u> </u>	<u> </u>
Net cash provided by operating activities	<u>\$ 7,891,760</u>	<u>\$ 5,866,924</u>

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

Lutheran Retirement Ministries of Alamance County, North Carolina
Notes to Financial Statements
September 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies

Nature of organization - Lutheran Retirement Ministries of Alamance County, North Carolina, doing business as Twin Lakes Community (the "Community"), provides a continuing care retirement community licensed by the State of North Carolina. The Community consists of 104 nursing care beds, 36 assisted living units, 434 apartments, villas, and garden homes, and 32 memory care beds.

Financial statement presentation - The Community is organized by fund for internal accounting purposes. The Operating Fund reflects the general operations of the Community and all other activity not accounted for by the Endowment Fund. The Endowment Fund was established to receive and administer endowed gifts and bequests received by the Community. The resolution by the Board of Directors of the Community establishing the Endowment Fund stipulates that income generated by the Endowment Fund shall be distributed at such times as deemed necessary to enhance the charitable mission of Lutheran Retirement Ministries of Alamance County, North Carolina. The principal amounts of gifts and bequests received are not to be expended.

Use of accounting estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents - Cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of three months or less. The Community maintains its cash balances in Board-designated banks located in North Carolina. There is credit risk exposure for certain cash balances that exceed federally insured limits of \$250,000. The amounts in excess of the FDIC limit totaled \$20,877,698 and \$19,315,729 at September 30, 2023 and 2022, respectively.

Investments - Investments in equity securities with readily determinable fair values and all investments in fixed income securities are reported at their fair value. The fair values of investments are determined based upon quoted market prices. Investment income (including both realized and unrealized gains and losses, interest and dividends) is included in the change in net assets. Other investments, which consist of a venture capital investment and equity securities of a closely held corporation, are reported at estimated fair value. Donated investments are recorded at their fair value on the date of donation.

It is the general policy of the Community to invest funds with a sense of stewardship for the sake of carrying out its mission and objectives. The funds include those restricted in perpetuity and by purpose as well as Board-designated reserves. Notwithstanding this policy, all restrictions placed by donors on the interest and investment earnings on donated funds will be honored. Investments authorized by organizational policy include debt and equity securities publicly traded in the United States, highly rated cash equivalents and select Board approved investments which are not publicly traded. Reported fair values are subject to various risks, including changes in equity markets, the interest rate environment and general economic conditions. Allocation of investments across asset classes are managed to achieve long-term objectives of capital preservation and income generation.

Accounts receivable - Accounts receivable are stated net of an allowance for doubtful accounts. The Community determines past-due status based on billing dates and does not charge interest on overdue accounts. The allowance for doubtful accounts is management's estimate of the amount of current receivables which will prove to be uncollectible. Amounts are written off against the allowance when deemed uncollectible by management. To help mitigate risk associated with trade receivables, management evaluates each customer's risk prior to extending credit. Management does not believe significant credit risk exists at September 30, 2023 and 2022.

Lutheran Retirement Ministries of Alamance County, North Carolina
Notes to Financial Statements
September 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (continued)

Inventory - Inventory consists of operating supplies and is stated at the lower of cost or net realizable value. Cost is determined principally on the first-in, first-out method.

Property and equipment - Property and equipment are valued at cost less accumulated depreciation. Maintenance and repair costs are charged to expense as incurred. Gains and losses on disposal are reflected in operating income. Donated assets are recorded at their estimated fair value on the date of the donation.

For the years ended September 30, 2023 and 2022, the Community capitalized \$148,988 and \$784,011, respectively, of interest incurred during construction of long-term construction projects. Interest capitalized was incurred on loans obtained for construction financing.

Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Buildings	30 Years
Paving	20 Years
Furniture and equipment	5 - 10 Years
Building renovations and refurbishments	10 - 15 Years
Automobiles	5 Years
Land improvements	20 - 30 Years

Depreciation expense for the years ended September 30, 2023 and 2022 was \$8,804,858 and \$8,119,901, respectively.

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.

Leases - The Community has elected the short-term lease practical expedient under provisions of ASC 842. This means lease agreements with original terms of twelve months or less are not required to be reported on the statement of financial position. The Community has determined that its leases were short-term in nature or otherwise immaterial to present on the statement of financial position as of and for the year ended September 30, 2023.

Debt issuance costs - Costs associated with obtaining long-term debt are amortized over the debt period utilizing the effective interest method.

Derivative instruments - The Community uses interest rate swap agreements to reduce its exposure to adverse and unanticipated changes in variable interest rates. The Community does not use derivative instruments for trading or speculative purposes and the derivatives are not designated as hedging instruments. The fair value of the interest rate swaps are included in the statements of financial position and the change in fair value is included in the statements of operations and changes in net assets.

Lutheran Retirement Ministries of Alamance County, North Carolina
Notes to Financial Statements
September 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (continued)

Net assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (i.e. when a stipulated time restriction ends or a purpose restriction is accomplished) in the year in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When the restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of changes in net assets as net assets transferred from restrictions.

Revenue recognition - Resident fee revenue is reported in the amount that reflects consideration the Community expects to receive or to have earned in exchange for services provided. Services encompass different levels of care, including Independent Living, Assisted Living, Skilled Nursing and Memory Care. Performance obligations are determined based on the nature of the services provided, and revenue is recognized as performance obligations are satisfied.

Contractual relationships with residents sometimes involve a third-party payor, and transaction prices for these services rendered are dependent upon the terms provided by or negotiated with the third-party payor. The Community has agreements with third-party payors that provide for payments at amounts that are generally less than established rates. The Community determines the transaction price based on its established charges for goods and services less price concessions. Price concessions represent contractual adjustments under agreements with third-party payors or residents that qualify for financial assistance.

Implicit price concessions represent differences between amounts billed and the estimated consideration the Community expects to receive from residents, which are primarily based on historical collection experience. Accordingly, resident fees are reported at the estimated net realizable amounts to be received from residents and third-party payors, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as changes to estimates become known and tentative and final settlement adjustments are identified.

The Community bills residents and third-party payors once a month on the first of the month for services. Resident payments are due the tenth of the month and invoices to third-party payors are due upon receipt. The Community does not adjust revenue for any implicit financing cost associated with credit terms.

The Community requires advance payment for admission fees, which include refundable and non-refundable amounts. The non-refundable portion of an admission fee creates a contract liability for the Community and is recorded as deferred revenue when received. The liability is amortized into revenue over the estimated remaining life expectancy of the resident, which is adjusted on an annual basis.

Lutheran Retirement Ministries of Alamance County, North Carolina
Notes to Financial Statements
September 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (continued)

Admission fees - Payment of an admission fee is required before a resident acquires the right to reside in an independent living unit. The Community offers two different types of independent living contracts. One contract type provides for an admission fee of which 50% is fully refundable and 50% is refundable on a declining pro rata basis during the first 30 months of occupancy. The other contract type provides for the entire admission fee to be refundable on a declining pro rata basis during the first 30 months of occupancy. After the 30-month period, no portion of the admission fee is refundable.

Similar to an independent living unit, an assisted living unit requires payment of an admission fee before a resident acquires the right to reside in the unit. For this type of contract, the admission fee is refundable on a declining pro rata basis during the first 6 months of occupancy. After the 6-month period, no portion of the admission fee is refundable.

Any refunds due on a residency contract are payable upon the lease of the unit to a subsequent occupant. The Community has elected to classify refundable admission fees as a long-term liability as the amount to be refunded within one year cannot be reasonably estimated.

Advertising costs - The Community expenses advertising costs as incurred. Total advertising costs for the years ended September 30, 2023 and 2022 were \$123,529 and \$104,865, respectively.

Functional allocation of expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statements of operations. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Obligation to provide future services - The Community annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from admission fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from admission fees, a liability is recorded (obligation to provide future services and use of facilities) against the corresponding charge to income. As of September 30, 2023 and 2022, no liability was required to be recorded.

Recently adopted accounting standard - In February 2016, the FASB amended ASC 842, Leases (issued under ASU 2016-02). This amendment requires the recognition of lease assets and lease liabilities on the balance sheet for most lessees under arrangements classified as operating leases. The Community applied the modified retrospective transition method and elected the transition option to use the effective date of October 1, 2022, as the date of the initial application. Comparative periods were not adjusted and are presented in accordance with lease guidance in effect for that period. Adoption of ASU 2016-02 had no impact on the Community's statements of financial position, operations or cash flows.

Lutheran Retirement Ministries of Alamance County, North Carolina
Notes to Financial Statements
September 30, 2023 and 2022

Note 2: Available Resources and Liquidity

The following reflects the Community's financial assets as of year-end, reduced by amounts not available for general use due to Board designations or donor-imposed restrictions.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 18,883,441	\$ 17,339,319
Investments	8,048,073	7,412,233
Accounts receivable - net	<u>1,754,008</u>	<u>1,301,380</u>
Financial assets available	28,685,522	26,052,932
Less Board designations	<u>9,458,020</u>	<u>8,732,621</u>
Available resources	<u>\$ 19,227,502</u>	<u>\$ 17,320,311</u>

The Community routinely collects admission and patient fees and has sufficient cash to fund near-term operating expenses. Furthermore, management and the Board monitor public support and revenues through regular review of the budget and other financial information.

Note 3: Cash and Cash Equivalents

Cash and cash equivalents are summarized as follows:

	<u>2023</u>	<u>2022</u>
Board designated:		
Medical self-insurance	\$ 224,214	\$ 202,305
Capital reserve	954,017	942,413
Debt service	67,089	60,664
Undesignated	17,638,121	16,133,937
Assets whose use is limited:		
New construction fund	672,151	582,798
Chapel fund	1,432	1,039
Donations	1,038,282	1,054,368
Memorial Garden fund	246,436	204,180
Resident assistance - endowment	20,355	17,346
Resident assistance - operating	521,114	486,670
Resident trust funds	1,158	803
State mandated reserve	310,815	377,711
Sullivan Trust	<u>76,984</u>	<u>29,087</u>
Cash and cash equivalents	<u>\$ 21,772,168</u>	<u>\$ 20,093,321</u>

Lutheran Retirement Ministries of Alamance County, North Carolina
Notes to Financial Statements
September 30, 2023 and 2022

Note 4: Assets Whose Use is Limited

The composition of assets whose use is limited is as follows:

	<u>2023</u>	<u>2022</u>
Operating Fund:		
State mandated reserve	\$ 8,964,250	\$ 8,377,650
New healthcare facility fund	672,151	582,802
Resident trust funds	1,158	803
Donations	1,038,282	1,054,368
Memorial Garden fund	246,436	204,180
Resident assistance	521,114	486,670
Endowment Fund:		
Sullivan Trust	2,357,195	2,090,426
Resident assistance	827,544	684,987
Chapel fund	50,499	44,497
Assets whose use is limited	<u>\$ 14,678,629</u>	<u>\$ 13,526,383</u>

Note 5: Investments and Fair Value

Investments - The following schedule summarizes the fair value of investments.

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 40,688	\$ 35,255
Board designated:		
Debt service	4,577,392	4,219,461
Capital reserve	3,429,993	3,157,521
Education endowment	256,259	226,997
Deferred compensation	42,032	17,933
Venture capital investment	138,323	91,448
Assets whose use is limited:		
State mandated reserve	8,645,342	7,979,698
Sullivan Trust	2,280,211	2,061,339
Resident assistance	807,189	667,641
Chapel fund	49,067	43,458
Total investments	<u>\$ 20,266,496</u>	<u>\$ 18,500,751</u>

Lutheran Retirement Ministries of Alamance County, North Carolina
Notes to Financial Statements
September 30, 2023 and 2022

Note 5: Investments and Fair Value (continued)

Fair value - Certain assets and liabilities are required to be recognized and disclosed at fair value. A fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs that are supported by little or no market activity. Level 3 assets are those whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques with significant unobservable inputs, as well as instruments for which the determination of fair value requires significant judgement or estimation.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Community believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at that reporting date.

Fair value measurements at September 30, 2023:

	Total	Level 1	Level 2	Level 3
Assets:				
Equity securities	\$ 10,325,789	\$ 10,325,789	\$ -	\$ -
Fixed income securities	9,690,982	9,690,982	-	-
Venture capital investment	138,323	-	138,323	-
Closely held company securities	111,402	-	111,402	-
Interest rate swaps	4,290,481	-	4,290,481	-
Total assets	<u>\$ 24,556,977</u>	<u>\$ 20,016,771</u>	<u>\$ 4,540,206</u>	<u>\$ -</u>

Lutheran Retirement Ministries of Alamance County, North Carolina
Notes to Financial Statements
September 30, 2023 and 2022

Note 5: Investments and Fair Value (continued)

Fair value measurements at September 30, 2022:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Equity securities	\$ 9,193,649	\$ 9,193,649	\$ -	\$ -
Fixed income securities	9,103,542	9,103,542	-	-
Venture capital investment	91,448	-	91,448	-
Closely held company securities	112,112	-	112,112	-
Interest rate swaps	<u>1,428,910</u>	<u>-</u>	<u>1,428,910</u>	<u>-</u>
Total assets	<u>\$ 19,929,661</u>	<u>\$ 18,297,191</u>	<u>\$ 1,632,470</u>	<u>\$ -</u>

Level 2 assets at September 30, 2023 and 2022 consist of an investment in common stock of a private, closely held entity, investment in a venture capital fund and interest rate swaps. Fair value of the closely held security has been estimated based upon net book value as reported in the entity's audited financial statements. Fair value of the venture capital investment is based on the Community's proportionate share of the investment fund's net assets at fair value. Interest rate swaps have been valued on the "income approach" within the meaning of ASC 820, *Fair Value Measurements and Disclosures*. This involves using (i) quoted prices for economically equivalent swaps, or (ii) valuation methodologies, assumptions and inputs, which in the case of projected future cash flows, discount such cash flows to a single net present value amount.

The Community incurred investment fees in the amount of \$115,256 and \$118,320 during the years ended September 30, 2023 and 2022, respectively.

Note 6: Accounts Receivable

Accounts receivable are summarized as follows:

	<u>2023</u>	<u>2022</u>
Resident services	\$ 1,642,351	\$ 1,377,387
Sales tax	293,142	63,085
Other	-	10,000
Interest receivable	<u>24,115</u>	<u>16,508</u>
Total accounts receivable	1,959,608	1,466,980
Less allowance for doubtful accounts	<u>205,600</u>	<u>165,600</u>
Accounts receivable - net	<u>\$ 1,754,008</u>	<u>\$ 1,301,380</u>

Lutheran Retirement Ministries of Alamance County, North Carolina
Notes to Financial Statements
September 30, 2023 and 2022

Note 7: Concentrations of Credit Risk

The Community grants credit without collateral to its residents. Concentrations of credit risk with respect to resident accounts are limited due to the large number of individual accounts and agreements with third party payors. The Community has certain accounts receivable whose collectability is dependent upon performance of the Medicare and Medicaid programs. Management does not believe there are significant credit risks associated with these governmental programs.

Note 8: Assets Whose Use is Limited for State Mandated Reserve

North Carolina General Statute 58-64-33 requires the establishment of an operating reserve equal to 50% of the total operating costs projected by the Community for the next twelve-month period. If occupancy is in excess of 90%, the operating reserve requirement decreases to 25% of total operating costs. Total operating costs include debt service and exclude depreciation. If debt service is accounted for by way of another reserve account, it may be excluded from operating costs. The operating reserve cannot be expended without written approval of the State of North Carolina.

The Community's operating reserve requirement as of September 30, 2023 was \$8,964,250, based upon occupancy which exceeded 90% at that time, and projected 2023-2024 operating costs of \$35,857,000. The operating reserve balance at September 30, 2023 was \$8,964,250.

The Community's operating reserve requirement as of September 30, 2022 was \$8,377,650, based upon occupancy which exceeded 90% at that time, and projected 2022-2023 operating costs of \$35,510,600. The operating reserve balance at September 30, 2022 was \$8,377,650.

Note 9: Property and Equipment

Property and equipment are summarized as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 8,661,846	\$ 8,661,846
Land improvements	21,011,033	20,913,614
Buildings	176,832,319	173,858,013
Paving	2,613,088	2,772,470
Furniture and equipment	18,400,113	17,730,921
Construction in progress	<u>16,661,868</u>	<u>5,784,389</u>
Total property and equipment	244,180,267	229,721,253
Less accumulated depreciation	<u>85,450,329</u>	<u>77,228,343</u>
Property and equipment - net	<u>\$ 158,729,938</u>	<u>\$ 152,492,910</u>

Lutheran Retirement Ministries of Alamance County, North Carolina
Notes to Financial Statements
September 30, 2023 and 2022

Note 10: Leases

The Community evaluated its leases under provisions of ASC 842 and determined that all were short-term in nature or otherwise immaterial to present on the statement of financial position. Rent expense for short-term and low-value leases totaled \$58,148 for the year ended September 30, 2023.

Under provisions of ASC 840, the lease accounting standard in effect for the Community's fiscal year ended September 30, 2022, the Community was party to leases of equipment which were classified as operating leases. Rent expense totaled \$55,787 for the year ended September 30, 2022.

Note 11: Accrued Expenses

Accrued expenses consist of the following:

	2023	2022
Accrued interest	\$ 577,584	\$ 535,706
Salaries and wages	355,501	280,155
Paid annual leave	1,382,633	1,267,876
Profit sharing contribution	472,500	386,364
Deferred compensation	64,532	38,433
Payroll taxes	7,086	3,268
Self-insured medical claims	175,000	175,000
Accrued expenses	\$ 3,034,836	\$ 2,686,802

Note 12: Paid Annual Leave

The Community's employees are allowed to accumulate paid annual leave up to a maximum 60 days as of September 30 each year. Paid annual leave is payable when the leave is taken or upon the favorable termination of the employee. The Community recorded a liability of \$1,382,633 and \$1,267,876 for accrued paid annual leave at September 30, 2023 and 2022, respectively.

Note 13: Interfund Payable

At September 30, 2023 and 2022, the Community had an interfund payable due to the Operating Fund from the Endowment Fund in the amount of \$40,683 and \$35,251, respectively.

Lutheran Retirement Ministries of Alamance County, North Carolina
Notes to Financial Statements
September 30, 2023 and 2022

Note 14: Deferred Revenue

Changes in deferred revenue, for the years ended September 30, 2023 and 2022, are as follows:

	2023	Admission Fees	Memorial Garden
Deferred revenue - beginning	\$ 44,350,073	\$ 44,224,073	\$ 126,000
Deposits received	6,367,464	6,326,214	41,250
Deposits earned	<u>(4,714,945)</u>	<u>(4,701,695)</u>	<u>(13,250)</u>
Deferred revenue - ending	46,002,592	45,848,592	154,000
Less current portion	<u>3,981,449</u>	<u>3,981,449</u>	<u>-</u>
Deferred revenue – long-term portion	<u>\$ 42,021,143</u>	<u>\$ 41,867,143</u>	<u>\$ 154,000</u>
	2022	Admission Fees	Memorial Garden
Deferred revenue - beginning	\$ 43,921,428	\$ 43,802,678	\$ 118,750
Deposits received	5,669,247	5,645,497	23,750
Deposits refunded	(249,020)	(249,020)	-
Deposits earned	<u>(4,991,582)</u>	<u>(4,975,082)</u>	<u>(16,500)</u>
Deferred revenue - ending	44,350,073	44,224,073	126,000
Less current portion	<u>4,353,942</u>	<u>4,353,942</u>	<u>-</u>
Deferred revenue – long-term portion	<u>\$ 39,996,131</u>	<u>\$ 39,870,131</u>	<u>\$ 126,000</u>

During the year ended September 30, 2023, the Community applied a revised life expectancy table for purposes of calculating earned admission fees. This change in accounting estimate resulted in an approximate \$666,918 reduction in current year operating income.

Lutheran Retirement Ministries of Alamance County, North Carolina
Notes to Financial Statements
September 30, 2023 and 2022

Note 15: Long-Term Debt

Long-term debt consists of the following:

	2023	2022
<p>In October 2019, the North Carolina Medical Care Commission (the "Commission") issued \$42,860,000 of tax-exempt revenue bonds and lent the proceeds to the Community. These Series 2019A public fixed rate bonds were issued at a premium of \$6,361,157. Interest is fixed at 5.0% (effective rate of 4.45% after amortization of bond premium and debt issuance costs). Interest is payable quarterly at the fixed rate. Beginning January 2034, monthly payments are due to a sinking fund for amounts required to retire bonds as they mature between 2038 and 2049. The loan is secured by a deed of trust on property and equipment.</p>	\$ 48,157,630	\$ 48,423,511
<p>In October 2019, the North Carolina Medical Care Commission issued \$23,025,000 of tax-exempt revenue bonds for the purpose of lending the proceeds to the Community. The Community may draw up to the aggregate principal amount of the bonds according to terms of a trust agreement between the Commission and a trustee. \$16,792,100 of these Series 2019B bank placement bonds were drawn at closing to fund repayment of a prior debt obligation and certain issuance fees. Additional amounts were drawn to fund a capital project. Interest is payable monthly at a variable rate equal to 79% of One-Month SOFR (previously LIBOR) plus 0.77%. Annual principal payments are scheduled through a maturity date of 2034. \$1,435,000 is payable in fiscal year 2024. The loan is secured by a deed of trust on property and equipment.</p>	18,575,000	19,496,068
<p>In December 2022, the North Carolina Medical Care Commission issued \$45,100,000 of tax-exempt revenue bonds for the purpose of lending the proceeds to the Community. The Community may draw up to the aggregate principal amount of the bonds according to terms of a trust agreement between the Commission and a trustee. \$1,000 of these Series 2022A-1 bank placement bonds were drawn at closing. Additional draws are available to fund a capital project. Interest is payable monthly at a variable rate equal to 79% of One-Month SOFR plus 1.185%. The bonds mature according to an amortization schedule with annual installments beginning January 2026 and ending January 2053. The loan is secured by a deed of trust on property and equipment.</p>	1,000	-
<p>Debt - forward</p>	\$ 66,733,630	\$ 67,919,579

Lutheran Retirement Ministries of Alamance County, North Carolina
Notes to Financial Statements
September 30, 2023 and 2022

Note 15: Long-Term Debt (continued)

	<u>2023</u>	<u>2022</u>
Debt - forwarded	\$ 66,733,630	\$ 67,919,579
In December 2022, the North Carolina Medical Care Commission issued \$13,000,000 of tax-exempt revenue bonds for the purpose of lending the proceeds to the Community. The Community may draw up to the aggregate principal amount of the bonds according to terms of a trust agreement between the Commission and a trustee. \$817,577 of these Series 2022A-2 bank placement bonds were drawn at closing to fund certain issuance fees and to fund interest and construction accounts. Additional amounts were drawn during the year to fund a capital project. Interest is payable monthly at a variable rate equal to 79% of One-Month SOFR plus 1.10665%. The bonds mature in a single installment in December 2026. The loan is secured by a deed of trust on property and equipment.	<u>9,578,968</u>	<u>-</u>
Total debt	76,312,598	67,919,579
Less current maturities	1,435,000	1,385,000
Less unamortized debt issuance costs	<u>1,565,250</u>	<u>952,096</u>
Long-term debt - net	<u>\$ 73,312,348</u>	<u>\$ 65,582,483</u>

Scheduled principal maturities of long-term debt at September 30, 2023 are as follows:

2024	\$ 1,435,000
2025	1,490,000
2026	1,546,000
2027	1,605,000
2028	11,243,968
Thereafter	<u>58,992,630</u>
Total maturities	<u>\$ 76,312,598</u>

The Community has various financial covenants relating to the aforementioned debt. As of September 30, 2023, all financial covenants were met.

Lutheran Retirement Ministries of Alamance County, North Carolina
Notes to Financial Statements
September 30, 2023 and 2022

Note 16: Deferred Gifts

The Community has been designated as the beneficiary of a number of life insurance policies, gift annuities and charitable remainder trusts. As of September 30, 2023 and 2022, the gross amount of gifts made was approximately \$1,270,000, and the estimated present value of the gifts was approximately \$616,000 and \$579,000, respectively. In most cases, donors have the ability to stipulate terms of the giving, thus adding an element of uncertainty regarding present value and beneficiary status. It is management's opinion that these deferred gifts are conditional, and accordingly have not been recorded in the financial statements.

Note 17: Contingencies

Contracts between the Community and its residents provide for a refund of a portion of the resident's admission fee if the resident leaves during the first thirty months of occupancy. In addition, contracts between the Community and its independent living residents provide that 50% of the admission fee will be refundable. Contracts provide for the refund to be payable when the dwelling unit is re-leased to another resident. Until November 7, 2019, the 50% refundable contracts provided for the refund to be payable when the resident no longer resided at the Community.

The total amount of contractual refund obligations was \$25,428,495 and \$24,758,213 at September 30, 2023 and 2022, respectively. Of the total amount, \$17,952,435 and \$18,295,400 are for the 50% refundable admission fees at September 30, 2023 and 2022, respectively.

Revenues received under cost reimbursement and prospective payment agreements with Medicare and Medicaid are subject to audit and retroactive adjustment by third-party payors. Such audits can result in the payment to or receipt from the intermediary of additional funds. Management believes that audit adjustments, if any, will be immaterial.

Note 18: Reserve on Derivative Contracts

The Community has four interest rate swap agreements, measured at fair value in Note 5, to minimize exposure from interest rate changes on its floating rate debt. This enables the Community to maintain a synthetic fixed rate on a significant portion of its overall long-term debt. This type of hedging activity has been recorded as a cash flow hedge with the change in value on the derivative contracts recorded in the statements of changes in net assets. The swap agreements are structured as follows:

Notional Amount	Effective Date	Maturity Date	Pay Rate	Receive Rate
\$ 5,040,000	10/10/2007	01/01/2028	3.556%	63% of one-month SOFR plus 0.3%
\$ 8,130,000	10/09/2019	01/01/2034	1.232%	79% of one-month SOFR
\$ 5,375,000	06/01/2021	01/01/2034	1.203%	79% of one-month SOFR
\$ 4,217,166	08/01/2023	12/01/2037	3.677%	79% of one-month SOFR plus 1.185%

The notional amounts amortize steadily to maturity.

The Community is exposed to credit risk if the counterparty to an interest rate swap fails to meet the terms and obligations of its contracts. The Community mitigates credit risk by entering into transactions with highly rated counterparties.

Lutheran Retirement Ministries of Alamance County, North Carolina
Notes to Financial Statements
September 30, 2023 and 2022

Note 19: Net Assets Designated by Board

The following is a summary of Board designated net assets:

	2023	2022
Operating Fund:		
Self-insurance	\$ 49,214	\$ 27,305
Capital reserve	4,394,391	4,106,407
Debt service	4,658,215	4,288,299
Memorial Garden	92,436	78,180
State mandated reserve	8,964,250	8,377,650
Venture capital investment	138,323	91,448
Endowment Fund:		
Education endowment	263,764	232,430
Net assets designated by Board	\$ 18,560,593	\$ 17,201,719

Note 20: Net Assets with Donor Restrictions

The following describes net assets restricted by donor with time restrictions:

Sullivan Trust - During the year ended September 30, 1988, the Community received a bequest from the estates of James and Beulah Sullivan. The will of James Sullivan requires that the bequest be held in trust for the benefit of the Community with the income generated by the trust to be delivered to the Community at least annually. The fair value of these net assets at September 30, 2023 and 2022 total \$2,357,195 and \$2,090,426, respectively.

Chapel Fund - Contributions have been made to the Chapel Endowment Fund, for the benefit of chapel maintenance. The assets of the fund are held in perpetuity. The fair value at September 30, 2023 and 2022 was \$50,499 and \$44,497, respectively.

Resident Assistance Fund - Contributions have been made to the Resident Assistance Fund, for the benefit of the Community's residents. Assets of the fund are held in perpetuity. The fair value at September 30, 2023 and 2022 was \$827,544 and \$684,987, respectively.

The following is a summary of net assets restricted by donor for purpose:

	2023	2022
Resident assistance - operating	\$ 521,114	\$ 486,670
Donations	1,038,282	1,054,368
Net assets restricted by donor for purpose	\$ 1,559,396	\$ 1,541,038

Lutheran Retirement Ministries of Alamance County, North Carolina
Notes to Financial Statements
September 30, 2023 and 2022

Note 21: Reconciliation of Endowment Funds

Changes in endowment net assets, for the years ended September 30, 2023 and 2022, are as follows:

	2023	Board Designated	With Donor Restriction
Endowment net assets - beginning	\$ 3,052,340	\$ 232,430	\$ 2,819,910
Contributions and bequests	72,073	-	72,073
Interest and dividends	124,708	8,505	116,203
Net realized and unrealized gains	325,276	25,395	299,881
Fees	(28,648)	(2,566)	(26,082)
Appropriation of endowment assets	(46,747)	-	(46,747)
Endowment net assets - ending	<u>\$ 3,499,002</u>	<u>\$ 263,764</u>	<u>\$ 3,235,238</u>
	2022	Board Designated	With Donor Restriction
Endowment net assets - beginning	\$ 3,690,866	\$ 283,344	\$ 3,407,522
Contributions and bequests	27,051	-	27,051
Interest and dividends	136,406	32,782	103,624
Fees	(31,122)	(2,696)	(28,426)
Net realized and unrealized losses	(729,546)	(81,000)	(648,546)
Appropriation of endowment assets	(41,315)	-	(41,315)
Endowment net assets - ending	<u>\$ 3,052,340</u>	<u>\$ 232,430</u>	<u>\$ 2,819,910</u>

Note 22: Resident Fee Income

Net resident fee income consists of the following:

	2023	2022
Operating revenue	\$ 38,795,185	\$ 36,216,208
Less adjustments:		
Meals to guests and employees	122,709	95,450
Bad debts	138,944	30,038
Net resident fee income	<u>\$ 38,533,532</u>	<u>\$ 36,090,720</u>

Note 23: Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses allocated based on estimates of time and effort include salaries and related benefits, outside consultants, supplies, and other expenses. Expenses allocated based on a calculation of physical space utilized by the Community include depreciation, insurance, interest, and utilities.

Lutheran Retirement Ministries of Alamance County, North Carolina
Notes to Financial Statements
September 30, 2023 and 2022

Note 24: Self-Insured Medical Insurance Plan

The Community maintains an employee benefits plan to provide substantially all employees with medical benefits. The plan obtains insurance from commercial carriers to cover payments under the plan in excess of \$100,000 per individual per plan year, subject to an aggregate deductible of \$35,000. The costs of the plan are comprised of actual and expected net claims, insurance premiums for stop-loss coverage and claims administration fees. Costs, net of employee contributions, were \$2,093,963 and \$2,026,402 for the years ended September 30, 2023 and 2022, respectively. The estimate of claims incurred but not reported was \$175,000 at September 30, 2023 and 2022.

Note 25: Retirement Plan

The Community maintains a defined contribution retirement plan covering substantially all of its full-time employees. Effective October 1, 2013, the Community adopted Safe Harbor provisions, requiring a three percent annual employer contribution, with additional employer contributions allowed, as approved by the Board of Directors. The Board elected to make contributions of four percent of eligible compensation totaling \$472,500 and \$386,364 for the years ended September 30, 2023 and 2022, respectively.

During the year ended September 30, 2015, the Board of Directors established a supplemental benefit deferred compensation plan under IRS Code Section 457(f). Under terms of the plan, the Board may decide each year to make discretionary contributions for the benefit of select employees. The approved benefits are payable on a specified distribution date selected by the Board. Benefits under the plan generally vest on the specified distribution date to employees still employed on that date. The Board approved contributions to the Plan of \$22,500 and \$20,500 for the years ended September 30, 2023 and 2022, respectively.

Note 26: Charity Care and Community Benefit

The Community provides nursing care to residents under Medicaid. Reimbursements under the Medicaid program are less than the Community's cost of providing these services. In addition, the Community provides other charitable care through the forgiveness of admission and monthly fees in cases of financial need.

The Community provides additional community benefit through participation in various community outreach and education programs. The Community also donates the volunteer services of its employees to various charitable organizations in the community.

Lutheran Retirement Ministries of Alamance County, North Carolina
Notes to Financial Statements
September 30, 2023 and 2022

Note 26: Charity Care and Community Benefit (continued)

Charity care and community benefit are valued at cost and are summarized as follows.

	<u>2023</u>	<u>2022</u>
Charity care:		
Unreimbursed costs under Medicaid	\$ 1,335,972	\$ 1,971,597
Forgiven monthly and daily fees	413,377	508,728
Bad debt	<u>112,698</u>	<u>73,130</u>
Total charity care	1,862,047	2,553,455
Community benefit:		
Expenses incurred by the Community to provide health, recreation, community research, and education activities to the community at large	2,067	2,444
Charitable donations	134,770	160,297
Donated volunteer services and space to community service projects and organizations	<u>73,132</u>	<u>65,758</u>
Total charity care and community benefit	<u>\$ 2,072,016</u>	<u>\$ 2,781,954</u>

Note 27: Tax Status

The Community is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state laws. Therefore, no income taxes are reflected in the accompanying financial statements. Management is unaware of any uncertain tax position in the financial statements that would jeopardize the Community's tax-exempt status or otherwise requires disclosure.

Note 28: Risk Management

The Community is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Community maintains 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 an occurrence basis.

As discussed in Note 18, the Community has entered into interest rate swap agreements to minimize exposure to changes in interest rates on its long-term debt. The swap agreements have been recorded on the statements of financial position at their fair value, and changes in fair value have been recorded in the statements of changes in net assets.

Lutheran Retirement Ministries of Alamance County, North Carolina
Notes to Financial Statements
September 30, 2023 and 2022

Note 29: Construction Commitments

The Community has commitments for construction projects in connection with building and improvement additions, including construction of a new independent living facility. The cost to complete projects as of September 30, 2023 was \$40,059,700.

Note 30: Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported financial position, results of operation or cash flows. Allowances as presented on the statements of operations for the year ended September 30, 2022 have been reclassified to bad debt expense and as direct contra revenue.

Note 31: 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 and non-profit organizations who experienced either a full or partial suspension of business operations due to government orders or had a significant reduction in gross receipts during calendar 2020 and 2021. The potential credit available per qualified employee for 2021 is 70% of qualified wages, up to a maximum of \$21,000.

The Community qualifies for the ERC based on a partial shutdown and has accounted for the ERC as a government grant under provisions of ASC 958-605. Under this accounting standard, the ERC is recognized once conditions attached to the grant have been substantially met. From January 1, 2021 through September 30, 2021, the Community incurred qualifying wages and filed a \$5,118,623 claim for refund in July 2023. This amount is reflected as a receivable on the statement of financial position and as grant revenue on the statement of operations for the year ended September 30, 2023.

Note 32: Subsequent Events

The Community has evaluated events and transactions that occurred between September 30, 2023 and January 24, 2024, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**LUTHERAN RETIREMENT MINISTRIES
OF ALAMANCE COUNTY, NORTH CAROLINA
d/b/a
TWIN LAKES COMMUNITY
DISCLOSURE STATEMENT
ATTACHMENT 2
FIVE YEAR PROJECTION STATEMENT**

**Lutheran Retirement Ministries
Of Alamance County,
North Carolina**

Financial Forecasts

For the Years Ending September 30, 2024
through September 30, 2028

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Gilliam Bell Moser^{LLP}
we hear you

Accountants' Compilation Report

The Board of Directors
Lutheran Retirement Ministries of Alamance County, North Carolina
Burlington, North Carolina

We have compiled the accompanying forecasted statements of financial position, statements of operations, statements of cash flows, and summary of significant forecast assumptions and accounting policies of Lutheran Retirement Ministries of Alamance County, North Carolina as of September 30, 2024 through September 30, 2028 and for the years then ending, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting, in the form of a forecast, information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not examined the forecast and, accordingly, do not express an opinion or any other form of assurance on the accompanying statements or assumptions. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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.

Gilliam Bell Moser LLP

Certified Public Accountants
February 20, 2024



Lutheran Retirement Ministries of Alamance County, North Carolina
Forecasted Statements of Financial Position

Exhibit A

For the Years Ending September 30, 2024 through 2028

	2024	2025	2026	2027	2028
CURRENT ASSETS:					
CASH AND CASH EQUIVALENTS	\$ 56,186,700	\$ 25,763,400	\$ 29,122,000	\$ 32,541,600	\$ 37,049,100
INVESTMENTS	8,450,500	8,873,000	9,316,700	9,782,500	10,271,600
ACCOUNTS RECEIVABLE - NET	1,696,500	1,858,000	1,904,800	1,902,200	1,927,000
PREPAID EXPENSES	43,800	46,400	49,200	52,200	55,300
INVENTORY	387,500	406,900	427,200	448,600	471,000
GRANT RECEIVABLE	5,118,600	-	-	-	-
TOTAL CURRENT ASSETS	71,883,600	36,947,700	40,819,900	44,727,100	49,774,000
ASSETS WHOSE USE IS LIMITED:					
CASH AND CASH EQUIVALENTS - DONATIONS	1,888,100	1,973,000	2,060,400	2,150,500	2,243,500
INVESTMENTS - RESTRICTED OPERATING RESERVE	9,685,100	10,282,800	10,609,300	10,936,200	11,483,000
LONG-TERM INVESTMENTS - ENDOWMENT	3,332,300	3,432,300	3,535,300	3,641,400	3,750,600
TOTAL ASSETS WHOSE USE IS LIMITED	14,905,500	15,688,100	16,205,000	16,728,100	17,477,100
OTHER ASSETS:					
LONG-TERM INVESTMENTS	474,000	513,300	554,000	596,200	640,100
PROPERTY AND EQUIPMENT - NET	152,189,300	188,989,200	179,903,500	170,795,100	161,584,400
RESERVE ON DERIVATIVE CONTRACT	4,290,500	4,290,500	4,290,500	4,290,500	4,290,500
DEFERRED BOND COSTS - NET	1,485,300	1,405,300	1,325,300	1,245,300	1,165,300
TOTAL OTHER ASSETS	158,439,100	195,198,300	186,073,300	176,927,100	167,680,300
TOTAL ASSETS	\$ 245,228,200	\$ 247,834,100	\$ 243,098,200	\$ 238,382,300	\$ 234,931,400
CURRENT LIABILITIES:					
CURRENT MATURITIES OF LONG-TERM DEBT	\$ 1,435,000	\$ 14,490,000	\$ 2,378,300	\$ 2,528,300	\$ 2,616,700
ACCOUNTS PAYABLE	1,140,100	1,184,300	1,221,500	1,248,500	1,273,500
ACCRUED EXPENSES	3,186,600	3,345,900	3,513,200	3,688,900	3,873,300
DEPOSITS ON UNOCCUPIED UNITS	463,500	347,600	347,600	347,600	365,000
TOTAL CURRENT LIABILITIES	6,225,200	19,367,800	7,460,600	7,813,300	8,128,500
LONG-TERM DEBT, EXCLUDING CURRENT MATURITIES	103,882,300	83,218,700	92,952,100	90,273,800	87,568,700
LONG-TERM DEBT, BOND PREMIUM	4,765,800	4,499,900	4,234,000	3,968,100	3,702,200
DEFERRED REVENUE FROM ADMISSION FEES - REFUNDABLE	6,333,600	6,016,900	5,415,200	4,602,900	3,682,300
DEFERRED REVENUE FROM ADMISSION FEES - NON-REFUNDABLE	40,538,100	53,104,200	54,010,500	54,705,600	55,577,200
REFUNDABLE ADMISSION FEES	17,652,400	17,352,400	16,852,400	16,852,400	16,852,400
TOTAL LIABILITIES	179,397,400	183,559,900	180,924,800	178,216,100	175,511,300
NET ASSETS:					
NET ASSETS WITHOUT DONOR RESTRICTIONS:					
DESIGNATED BY BOARD FOR SELF-INSURANCE	51,700	54,300	57,000	59,900	62,900
DESIGNATED BY BOARD FOR ENDOWMENT	271,700	279,900	288,300	296,900	305,800
DESIGNATED BY BOARD FOR CAPITAL RESERVE	3,971,700	3,551,100	3,422,100	3,290,500	3,356,300
DESIGNATED BY BOARD FOR DEBT SERVICE	4,830,300	5,023,500	5,224,400	5,433,400	5,650,700
DESIGNATED BY BOARD FOR RESTRICTED OPERATING RESERVE	9,685,100	10,282,800	10,609,300	10,936,200	11,483,000
UNDESIGNATED	41,799,900	39,677,300	36,976,600	34,357,400	32,567,300
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	60,610,400	58,868,900	56,577,700	54,374,300	53,426,000
NET ASSETS WITH DONOR RESTRICTIONS:					
PURPOSE RESTRICTION	1,888,100	1,973,000	2,060,400	2,150,500	2,243,500
PERPETUAL IN NATURE	3,332,300	3,432,300	3,535,300	3,641,400	3,750,600
TOTAL NET ASSETS	65,830,800	64,274,200	62,173,400	60,166,200	59,420,100
TOTAL LIABILITIES AND NET ASSETS	\$ 245,228,200	\$ 247,834,100	\$ 243,098,200	\$ 238,382,300	\$ 234,931,400

See accompanying summary of significant forecast assumptions and accounting policies and accountants' compilation report.

Lutheran Retirement Ministries of Alamance County, North Carolina
Forecasted Statements of Operations

Exhibit B

For the Years Ending September 30, 2024 through 2028

	2024	2025	2026	2027	2028
REVENUES, GAINS AND OTHER SUPPORT:					
NURSING CARE	\$ 12,713,100	\$ 13,219,200	\$ 13,714,300	\$ 14,239,200	\$ 14,954,000
MEMORY CARE	3,549,400	3,703,300	3,839,600	3,993,800	4,150,600
ASSISTED LIVING	2,511,500	2,549,400	2,651,500	2,664,500	2,771,100
INDEPENDENT LIVING	15,730,700	18,448,800	18,857,800	19,583,000	20,868,600
ADMISSION FEES EARNED	5,130,800	5,362,500	5,595,200	5,729,000	5,863,900
ANCILLARIES	1,748,500	2,115,300	2,194,200	2,279,100	2,388,100
HOME CARE AND ADULT DAY SERVICES	707,000	1,100,000	1,141,000	1,185,100	1,241,800
DIETARY	508,000	633,400	651,400	676,400	716,500
OTHER OPERATING REVENUES	543,000	474,000	488,300	506,000	534,300
INVESTMENT EARNINGS	1,829,400	1,622,400	1,241,000	1,130,600	1,222,300
NET UNREALIZED GAIN ON INVESTMENTS	7,900	8,200	8,400	8,600	8,900
DONATIONS	160,000	166,400	173,100	180,000	187,200
TOTAL	45,139,300	49,402,900	50,555,800	52,175,300	54,907,300
LESS MEDICARE AND MEDICAID CONTRACTURAL ADJUSTMENTS	1,245,100	1,346,100	1,459,700	1,781,900	1,888,800
LESS CHARITABLE AND OTHER CONTRACTURAL ALLOWANCES	461,100	758,400	781,300	809,600	854,900
TOTAL REVENUES, GAINS AND OTHER SUPPORT	43,433,100	47,298,400	48,314,800	49,583,800	52,163,600
OPERATING EXPENSES:					
NURSING CARE	5,737,500	5,967,000	6,205,700	6,433,900	6,666,300
MEMORY CARE	2,965,900	3,084,500	3,207,900	3,336,200	3,469,600
DIETARY	3,162,500	3,289,000	3,420,600	3,532,400	3,643,700
HOUSEKEEPING	658,600	684,900	712,300	740,800	770,400
LAUNDRY	222,200	231,100	240,300	249,900	259,900
PHARMACY	82,000	85,300	88,700	92,200	95,900
THERAPIES	1,017,800	1,095,400	1,127,200	1,153,200	1,225,800
SOCIAL SERVICES	196,200	204,000	212,200	220,700	229,500
ACTIVITIES	247,200	257,100	267,400	278,100	289,200
NURSING ADMINISTRATION / MEDICAL RECORDS	1,159,700	1,206,100	1,254,300	1,304,500	1,356,700
MAINTENANCE	4,557,400	4,739,700	4,969,300	5,177,100	5,359,200
GROUPS	1,288,200	1,339,700	1,403,300	1,459,400	1,512,800
SECURITY	641,000	666,600	693,300	721,000	749,800
ADMINISTRATION AND GENERAL	4,092,500	4,256,200	4,451,400	4,634,500	4,799,900
PASTORAL SERVICES	124,300	129,300	134,500	139,900	145,500
ASSISTED LIVING	1,376,000	1,431,000	1,488,200	1,547,700	1,609,600
TERRACE CAFE	582,800	606,100	630,300	655,500	681,700
INDEPENDENT LIVING	2,046,800	2,128,700	2,233,800	2,328,200	2,416,300
SALES AND MARKETING	612,000	636,500	662,000	688,500	716,000
DEVELOPMENT AND OUTREACH	309,800	322,200	335,100	348,500	362,400
HOME CARE AND ADULT DAY CARE	924,900	1,100,000	1,141,000	1,185,100	1,241,800
BEAUTY AND BARBER	97,900	101,800	105,900	110,100	114,500
INTEREST EXPENSE	2,324,100	3,688,100	3,768,200	3,571,300	3,411,700
AMORTIZATION	80,000	80,000	80,000	80,000	80,000
DEPRECIATION	9,140,600	11,624,700	11,685,700	11,708,400	11,810,700
TOTAL OPERATING EXPENSES	43,647,900	48,955,000	50,518,600	51,697,100	53,018,900
OPERATING LOSS	(214,800)	(1,656,600)	(2,203,800)	(2,113,300)	(855,300)
CHANGES IN NET ASSETS PERPETUAL IN NATURE:					
NET UNREALIZED GAIN ON INVESTMENTS	97,100	100,000	103,000	106,100	109,200
TOTAL DECREASE IN NET ASSETS	\$ (117,700)	\$ (1,556,600)	\$ (2,100,800)	\$ (2,007,200)	\$ (746,100)
NET ASSETS - BEGINNING OF YEAR	65,948,600	65,830,900	64,274,300	62,173,500	60,166,300
NET ASSETS - END OF YEAR	<u>\$ 65,830,900</u>	<u>\$ 64,274,300</u>	<u>\$ 62,173,500</u>	<u>\$ 60,166,300</u>	<u>\$ 59,420,200</u>

See accompanying summary of significant forecast assumptions and accounting policies and accountants' compilation report.

Lutheran Retirement Ministries of Alamance County, North Carolina
Forecasted Statements of Cash Flows

Exhibit C

For the Years Ending September 30, 2024 through 2028

	2024	2025	2026	2027	2028
CASH FLOWS FROM OPERATING ACTIVITIES:					
CASH RECEIVED FROM RESIDENTS AND THIRD PARTY PAYORS	\$ 41,481,100	\$ 39,977,400	\$ 41,250,300	\$ 42,538,200	\$ 44,856,500
INVESTMENT INCOME RECEIVED	1,837,500	1,622,400	1,241,000	1,130,600	1,222,300
DONATIONS RECEIVED	160,000	166,400	173,100	180,000	187,200
CASH PAID TO SUPPLIERS AND EMPLOYEES	(31,733,400)	(33,380,700)	(34,803,300)	(36,159,100)	(37,532,600)
INTEREST PAID	(2,590,100)	(3,954,000)	(4,034,100)	(3,837,200)	(3,677,600)
NET CASH PROVIDED BY OPERATING ACTIVITIES	9,155,100	4,431,500	3,827,000	3,852,500	5,055,800
CASH FLOWS FROM INVESTING ACTIVITIES:					
PURCHASE OF INVESTMENTS	(4,706,900)	(1,051,300)	(802,500)	(826,300)	(1,070,900)
ACQUISITION OF PROPERTY AND EQUIPMENT	(5,899,800)	(48,424,600)	(2,600,000)	(2,600,000)	(2,600,000)
NET CASH USED IN INVESTING ACTIVITIES	(10,606,700)	(49,475,900)	(3,402,500)	(3,426,300)	(3,670,900)
CASH FLOWS FROM FINANCING ACTIVITIES:					
ADMISSION FEES RECEIVED	6,500,000	17,696,000	5,899,800	6,111,800	6,332,300
ADMISSION FEES REFUNDED	(800,000)	(500,000)	(500,000)	(500,000)	(500,000)
PROCEEDS OF LONG-TERM DEBT	33,800,000	12,000,000	-	-	-
PAYMENTS OF LONG-TERM DEBT	(1,435,000)	(14,490,000)	(2,378,300)	(2,528,300)	(2,616,700)
NET CASH PROVIDED BY FINANCING ACTIVITIES	38,065,000	14,706,000	3,021,500	3,083,500	3,215,600
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	36,613,400	(30,338,400)	3,446,000	3,509,700	4,600,500
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	21,461,400	58,074,800	27,736,400	31,182,400	34,692,100
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 58,074,800	\$ 27,736,400	\$ 31,182,400	\$ 34,692,100	\$ 39,292,600
RECONCILIATION OF CHANGE IN NET ASSETS					
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
DECREASE IN NET ASSETS	\$ (117,700)	\$ (1,556,600)	\$ (2,100,800)	\$ (2,007,200)	\$ (746,100)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS					
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
AMORTIZATION OF ADMISSION FEES	(5,130,800)	(5,362,500)	(5,595,200)	(5,729,000)	(5,863,900)
DEPRECIATION AND AMORTIZATION	9,220,600	11,704,700	11,765,700	11,788,400	11,890,700
AMORTIZATION OF BOND PREMIUM	(265,900)	(265,900)	(265,900)	(265,900)	(265,900)
NET INCREASE (DECREASE) IN RECEIVABLES AND PREPAID EXPENSES	5,163,600	(183,500)	(69,900)	(21,800)	(50,300)
NET INCREASE IN PAYABLES AND ACCRUED EXPENSES	390,300	203,500	204,500	202,700	209,400
NET UNREALIZED GAIN ON INVESTMENTS	(105,000)	(108,200)	(111,400)	(114,700)	(118,100)
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 9,155,100	\$ 4,431,500	\$ 3,827,000	\$ 3,852,500	\$ 5,055,800

See accompanying summary of significant forecast assumptions and accounting policies and accountants' compilation report.

Lutheran Retirement Ministries of Alamance County, North Carolina
Summary of Significant Forecast Assumptions and Accounting Policies
 September 30, 2024 through September 30, 2028

I. Introduction

This financial forecast presents, to the best of management's knowledge and belief, Lutheran Retirement Ministries of Alamance County, North Carolina's expected financial position, results of operations and cash flows for the forecast period. Accordingly, the forecast reflects its judgment as of February 20, 2024, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and these differences may be material. The financial forecast was prepared to provide Lutheran Retirement Ministries of Alamance County, North Carolina ("the Ministries") residents and prospective residents information about the expected financial results of the organization. Management does not expect to update the financial forecast after issuance. However, management expects to prepare a new forecast annually to provide to residents and prospective residents, and since events and circumstances frequently do not occur as anticipated, subsequent forecasts may vary materially from those currently provided.

II. Summary of Significant Accounting Policies

Basis of Presentation – The Ministries forecasted financial position and results of operations have been reported on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial forecast presents combined totals for the Operating Fund and the Endowment Fund.

Cash and Cash Equivalents - For presentation purposes in the financial forecast, cash and cash equivalents include all cash on hand and in banks, all certificates of deposit and all repurchase agreements. The Ministries places deposits that exceed federally insured amounts. The Ministries has not experienced a financial loss related to such deposits.

Allowance for Doubtful Accounts - Accounts receivable are forecast net of an allowance for doubtful accounts. This allowance is based on management's estimate of the amount of receivables which will prove to be uncollectible.

Inventory - Inventory consists of operating supplies and is stated in the forecast at lower of cost or market with cost determined on a first-in, first-out basis.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair value. Investment income (including both realized gains and losses, interest income and dividend income) is included in the change in net assets. Other investments, which consist of a venture capital investment and equity securities of a closely held corporation, are also reported at estimated fair value. The forecast includes annual appreciation of investments of 4-5%.

Property and Equipment - Property and equipment are stated at the forecast cost net of accumulated depreciation. Forecasted depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Buildings	30 Years
Paving	20 Years
Furniture and equipment	5 to 10 Years
Building renovations and refurbishments	10 to 15 Years
Automobiles	5 Years
Land improvements	20 to 30 Years

Loan Costs - Costs associated with obtaining tax-exempt revenue bonds are being amortized using the effective interest method over the debt period.

Lutheran Retirement Ministries of Alamance County, North Carolina
Summary of Significant Forecast Assumptions and Accounting Policies
September 30, 2024 through September 30, 2028

II. Summary of Significant Accounting Policies (continued)

Admission Fees - Payment of an admission fee is required before a resident acquires the right to reside in an independent living unit. The Ministries offers two different types of independent living contracts. One contract type provides for an admission fee of which 50% is fully refundable and 50% is refundable on a declining pro rata basis during the first 30 months of occupancy. The other contract type provides for the entire admission fee to be refundable on a declining pro rata basis during the first 30 months of occupancy. After this 30-month period, no portion of the admission fee is refundable.

Similar to an independent living unit, an assisted living unit requires the payment of an admission fee before a resident acquires the right to reside in the unit. For this type of contract, the admission fee is refundable on a declining pro rata basis during the first 6 months of occupancy. After this 6-month period, no portion of the admission fee is refundable.

Tax Status - Lutheran Retirement Ministries of Alamance County, North Carolina is a North Carolina Non-Stock Non-Profit Corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal and North Carolina Income Taxes pursuant to Internal Revenue Code Section 509(a)(2).

III. Operating Fund

Accounts Receivable:

Accounts receivable are forecast as follows:

	2024	2025	2026	2027	2028
Resident services	\$ 1,580,900	\$ 1,727,600	\$ 1,848,000	\$ 1,880,000	\$ 1,899,800
Other	250,000	260,000	195,400	163,200	169,700
Accounts receivable - gross	1,830,900	1,987,600	2,043,400	2,043,200	2,069,500
Allowance for doubtful accounts	(134,400)	(129,600)	(138,600)	(141,000)	(142,500)
Accounts receivable - net	\$ 1,696,500	\$ 1,858,000	\$ 1,904,800	\$ 1,902,200	\$ 1,927,000

Resident service accounts receivable are forecast at 31 days of nursing care and memory care revenues and 12 days of independent living and assisted living revenues. The allowance for doubtful accounts is forecast at 7.5-8.5% of resident services receivables.

Inventory:

Inventory is forecast to increase by 5% annually.

Assets Whose Use is Limited by Sullivan Trust:

During the year ended September 30, 1988, the Ministries received a bequest from the estates of James and Beulah Sullivan. The will of James Sullivan requires that the bequest be held in trust for the benefit of the Ministries with the income generated by the trust to be delivered to the Ministries at least annually. The assets of the Sullivan Trust are reported as perpetual in nature on the Statements of Financial Position. The fair value of assets comprising the Sullivan Trust has been forecast to appreciate by 3% annually.

Assets Whose Use is Limited for Operating Reserve:

North Carolina General Statute 58-64-33 requires the establishment of an operating reserve equal to 50% of the total operating costs projected by the Ministries for the next twelve-month period. If occupancy is in excess of 90%, the operating reserve requirement decreases to 25% of total operating costs. Total operating costs include debt service and exclude depreciation. The operating reserve cannot be expended without written approval of the State of North Carolina. The forecast includes appreciation of operating reserve assets of 4% annually. Average occupancy is forecast to exceed 90%.

Lutheran Retirement Ministries of Alamance County, North Carolina
Summary of Significant Forecast Assumptions and Accounting Policies
September 30, 2024 through September 30, 2028

III. Operating Fund (continued)

Assets Whose Use is Limited for Operating Reserve (continued):

Operating reserve requirements under North Carolina General Statute 58-64-33 are forecast as follows for 2024 through 2028.

	2024	2025	2026	2027	2028
Total operating expenses	\$ 43,647,900	\$ 48,955,000	\$ 50,518,600	\$ 51,697,100	\$ 53,018,900
Add principal requirement	1,435,000	1,490,000	2,378,300	2,528,300	2,616,700
Less depreciation	(9,140,600)	(11,624,700)	(11,685,700)	(11,708,400)	(11,810,700)
Less amortization of bond costs	(80,000)	(80,000)	(80,000)	(80,000)	(80,000)
Net operating costs for reserve requirements	<u>\$ 35,862,300</u>	<u>\$ 38,740,300</u>	<u>\$ 41,131,200</u>	<u>\$ 42,437,000</u>	<u>\$ 43,744,900</u>
Operating reserve requirement: Required reserve based on 90% occupancy	<u>\$ 8,965,600</u>	<u>\$ 9,685,100</u>	<u>\$ 10,282,800</u>	<u>\$ 10,609,300</u>	<u>\$ 10,936,200</u>
Operating reserve:					
Cash and investments	\$ 8,774,200	\$ 9,125,200	\$ 9,490,200	\$ 9,869,800	\$ 10,264,600
Allocation of debt service reserve	289,200	754,600	1,055,600	1,136,800	1,136,600
Total operating reserve	<u>9,063,400</u>	<u>9,879,800</u>	<u>10,545,800</u>	<u>11,006,600</u>	<u>11,401,200</u>
Amount (over) under funded	<u>\$ (97,800)</u>	<u>\$ (194,700)</u>	<u>\$ (263,000)</u>	<u>\$ (397,300)</u>	<u>\$ (465,000)</u>

Property and Equipment:

Property and equipment are forecast as follows:

	2024	2025	2026	2027	2028
Land	\$ 8,661,800	\$ 8,661,800	\$ 8,661,800	\$ 8,661,800	\$ 8,661,800
Land improvements	21,011,000	21,011,000	21,011,000	21,011,000	21,011,000
Buildings	195,994,200	244,318,800	246,818,800	249,318,800	251,818,800
Paving	2,613,100	2,613,100	2,613,100	2,613,100	2,613,100
Furniture and equipment	18,500,100	18,600,100	18,700,100	18,800,100	18,900,100
Total property and equipment	<u>246,780,200</u>	<u>295,204,800</u>	<u>297,804,800</u>	<u>300,404,800</u>	<u>303,004,800</u>
Less accumulated depreciation	<u>94,590,900</u>	<u>106,215,600</u>	<u>117,901,300</u>	<u>129,609,700</u>	<u>141,420,400</u>
Property and equipment - net	<u>\$ 152,189,300</u>	<u>\$ 188,989,200</u>	<u>\$ 179,903,500</u>	<u>\$ 170,795,100</u>	<u>\$ 161,584,400</u>

Lutheran Retirement Ministries of Alamance County, North Carolina
Summary of Significant Forecast Assumptions and Accounting Policies
September 30, 2024 through September 30, 2028

III. Operating Fund (continued)

Property and Equipment (continued):

Major property and equipment additions are forecast to include:

Year to Complete	Description	Forecast Construction Cost
2024	Renovations & Capital Replacement	\$ 2,409,700
2024	Site Development	300,000
2025	Apartment Buildings - IL (Phase 1)	61,300,000
2025	Renovations & Capital Replacement	2,200,000
2025	Site Development	1,276,800
2026	Renovations & Capital Replacement	2,200,000
2026	Site Development	300,000
2027	Renovations & Capital Replacement	2,200,000
2027	Site Development	300,000
2028	Renovations & Capital Replacement	2,200,000
2028	Site Development	300,000
		<u>\$ 74,986,500</u>

Accounts Payable and Accrued Expenses:

Accounts payable are forecast to total 31 days operating expenses excluding depreciation and interest expense. Accrued expenses are forecast to increase by 5% annually.

Long Term Debt:

During the fiscal year ended September 30, 2020, the Ministries, through the North Carolina Medical Care Commission, issued \$42,860,000 of Series 2019A Public Fixed Rate Bonds and received a premium of \$6,361,157. Interest is fixed at 5.0% with an effective rate of 4.45% after consideration of bond premium and debt issuance costs. Interest only payments are required until January 2034. At that time interest and principal payments are required until the bonds are retired in 2049. Series 2019B Bank Placement Bonds in the amount of \$23,025,000 were also issued at this time in order to refinance former bank qualified bonds. Interest is payable on a variable rate equal to 79% of one-month SOFR plus a 0.77% credit spread. Interest and principal payments are required until the bonds are retired in 2034. Both bond issues are collateralized by revenues and property and equipment. There are various restrictive covenants on the issuance of additional debt, sale of property, and the proper maintenance of financial ratios.

On December 14, 2022, the Ministries, through the North Carolina Medical Care Commission, issued \$45,100,000 of Series 2022A-1 Long-Term Bonds and \$13,000,000 of Series 2022A-2 Intermediate-Term Bonds. Series 2022A-1 is structured as a draw-down loan and bears interest at a variable rate equal to 79% of one-month SOFR plus a credit spread of 1.18%. The bank-bought minimum holding period for Series 2022A-1 will expire December 14, 2037. The Ministries entered into an interest rate swap agreement to fix at 3.68% an initial notional amount of \$2,030,967 for the Series 2022A-1 bonds. Series 2022A-2 is also structured as a draw-down loan and bears interest at 79% of one-month SOFR plus a credit spread of 1.11%.

Lutheran Retirement Ministries of Alamance County, North Carolina
Summary of Significant Forecast Assumptions and Accounting Policies
September 30, 2024 through September 30, 2028

III. Operating Fund (continued)

Reserve on Derivative Contracts:

The Ministries has interest rate swap agreements in order to minimize exposure to the impact of interest rate changes on its long-term debt. This enables the Ministries to maintain a synthetic fixed rate debt on a significant portion of its overall long-term debt. When the prevailing variable rate differs from the fixed rate covered by the swap agreements, an asset or liability exists. The asset or liability represents the true benefit or cost the Ministries would receive or accrue if the swap agreements were terminated. The Ministries anticipates holding the interest rate swap agreements until the notional amount of debt is retired. This asset has been recorded in the five-year forecast based on the value at September 30, 2023 and has not been adjusted for the periods ended September 30, 2024 through September 30, 2028.

Deferred Revenue from Admission Fees:

Deferred revenue from admission fees has been forecast as follows:

	2024	2025	2026	2027	2028
Balance - beginning of year	\$64,418,400	\$64,987,600	\$76,821,100	\$76,625,700	\$76,508,500
Net unit contracts:					
Apartments (phase 1)	1,000,000	12,000,000	-	-	-
Turnover contracts:					
Garden Homes, Villas and Apartments	4,900,000	5,096,000	5,299,800	5,511,800	5,732,300
Garden Homes, Villas and Apartments (non-refundable portion)	300,000	300,000	300,000	300,000	300,000
Garden Homes, Villas and Apartments (refundable portion)	300,000	300,000	300,000	300,000	300,000
Amortization of existing contract fees	(4,200,000)	(4,000,000)	(3,800,000)	(3,600,000)	(3,300,000)
Amortization of new contract fees	(330,800)	(662,500)	(995,200)	(1,329,000)	(1,663,900)
Amortization turnover	(600,000)	(700,000)	(800,000)	(800,000)	(900,000)
Refunds	(800,000)	(500,000)	(500,000)	(500,000)	(500,000)
Balance - end of year	<u>\$64,987,600</u>	<u>\$76,821,100</u>	<u>\$76,625,700</u>	<u>\$76,508,500</u>	<u>\$76,476,900</u>
Income for the year	<u>\$ 5,130,800</u>	<u>\$ 5,362,500</u>	<u>\$ 5,595,200</u>	<u>\$ 5,729,000</u>	<u>\$ 5,863,900</u>
Refundable admission fees	\$17,652,400	\$17,352,400	\$16,852,400	\$16,852,400	\$16,852,400
Deferred revenue - refundable	6,333,600	6,016,900	5,415,200	4,602,900	3,682,300
Deferred revenue - non-refundable	<u>41,001,600</u>	<u>53,451,800</u>	<u>54,358,100</u>	<u>55,053,200</u>	<u>55,942,200</u>
Total deferred revenue - end of year	<u>\$64,987,600</u>	<u>\$76,821,100</u>	<u>\$76,625,700</u>	<u>\$76,508,500</u>	<u>\$76,476,900</u>

All new units have been forecast to be leased during the year construction is completed.

Admission fees received from the lease of existing units and admission fee refunds have been forecast based on the Ministries historical averages.

Lutheran Retirement Ministries of Alamance County, North Carolina
Summary of Significant Forecast Assumptions and Accounting Policies
September 30, 2024 through September 30, 2028

III. Operating Fund (continued)

Resident Service Revenues:

Resident service revenues have been forecast based on 93-94% average occupancy for nursing, 90% for memory care, 88-90% for assisted living and 93-96% for independent living. All rates have been forecast to increase by 4.0% per year and include the forecasted addition of new units. The forecast reflects a discount from these published rates for independent living residents who signed residency contracts prior to September 30, 2004. Forecast rates are as follows:

	2024	2025	2026	2027	2028
Health Care:					
Private	\$ 358	\$ 372	\$ 387	\$ 402	\$ 418
Market rate (non-community member)	380	395	411	427	444
Memory Care:					
Assisted - private	342	356	370	385	400
Assisted - semi - private	332	345	359	373	388
Assisted Living:					
Small	5,960	6,198	6,446	6,704	6,972
Large	6,341	6,595	6,859	7,133	7,418
2nd Person	2,767	2,878	2,993	3,113	3,238
Independent Living - residents prior to 10-01-04:					
Apartment - one bedroom	1,763	1,834	1,907	1,983	2,062
Apartment - two bedroom	2,067	2,150	2,236	2,325	2,418
Villa home A	2,067	2,150	2,236	2,325	2,418
Villa home B	2,253	2,343	2,437	2,534	2,635
Villa home C	2,067	2,150	2,236	2,325	2,418
Villa home D	2,253	2,343	2,437	2,534	2,635
Villa home - 2nd person	652	678	705	733	762
Independent Living - residents subsequent to 10-01-04:					
Apartment - one bedroom	1,852	1,926	2,003	2,083	2,166
Apartment - two bedroom	2,092	2,176	2,263	2,354	2,448
Wittenberg - small	2,321	2,414	2,511	2,611	2,715
Wittenberg - large	2,422	2,519	2,620	2,725	2,834
Villa home A	2,629	2,734	2,843	2,957	3,075
Villa home B	2,732	2,841	2,955	3,073	3,196
Villa home C	2,629	2,734	2,843	2,957	3,075
Villa home D	2,732	2,841	2,955	3,073	3,196
Villa home - 2nd person	725	754	784	815	848
Garden home - E&F	3,125	3,250	3,380	3,515	3,656
Garden home - G	3,324	3,457	3,595	3,739	3,889
Garden home - H&I	3,518	3,659	3,805	3,957	4,115
Garden home - J	2,923	3,040	3,162	3,288	3,420
Garden home - 2nd person	746	776	807	839	873
New Construction Independent Living Apartments (Phase 1):					
Magnolia	2,671	2,778	2,889	3,005	3,125
Oak	2,729	2,838	2,952	3,070	3,193
Poplar	2,806	2,918	3,035	3,156	3,282
Redbud	2,897	3,013	3,134	3,259	3,389
Sycamore	3,033	3,154	3,280	3,411	3,547
Tupelo	3,255	3,385	3,520	3,661	3,807
Willow	3,273	3,404	3,540	3,682	3,829
2nd person	746	776	807	839	873

Lutheran Retirement Ministries of Alamance County, North Carolina
Summary of Significant Forecast Assumptions and Accounting Policies
 September 30, 2024 through September 30, 2028

III. Operating Fund (continued)

Other Operating Revenues:

Other operating revenues are forecast based on their relationship to nursing revenue.

Operating Expenses:

The 2024 operating expenses were taken from the 2023-2024 adopted budget. Operating expenses have been forecast to increase as follows in the following departments for 2024 through 2028.

Activities	4%
Administration and general	4%
Assisted living	4%
Beauty and barber	4%
Development and outreach	4%
Dietary	4%
Grounds	4%
Home care and adult day care	Equals home care and adult day care revenue
Housekeeping	4%
Independent living	4%
Laundry	4%
Maintenance	4%
Memory care	4%
Nursing administration/medical records	4%
Nursing services	4%
Pastoral services	4%
Pharmacy	4%
Sales and marketing	4%
Security	4%
Social services	4%
Terrace Café	4%
Therapies	Equals 70% of ancillary revenue less pharmacy

IV. Endowment Fund

The Board of Directors of Lutheran Retirement Ministries of Alamance County, North Carolina has established an Endowment Fund to receive and administer gifts and bequests received by the organization. The resolution establishing the Endowment Fund stipulates that income generated by the Endowment Fund shall be distributed at such times as deemed necessary to enhance the charitable mission of the Ministries. The principal amount of gifts and bequests received are not to be expended.

Endowment Fund investment earnings are forecast at 3% per annum. Investment earnings less investment expenses are forecast to be transferred to the Operating Fund annually.

**LUTHERAN RETIREMENT MINISTRIES
OF ALAMANCE COUNTY, NORTH CAROLINA**

d/b/a

TWIN LAKES COMMUNITY

DISCLOSURE STATEMENT

ATTACHMENT 3

FORECASTED VS. ACTUAL

BALANCE SHEET

STATEMENT OF OPERATIONS

STATEMENT OF CASH FLOWS

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NC
FORECASTED VS ACTUAL BALANCE SHEET
FOR THE YEAR ENDING SEPTEMBER 30, 2023**

	2023 Forecast	2023 Actual	Favorable/(Unfavorable)		NOTES
			\$ Variance	% Variance	
ASSETS					
CURRENT ASSETS:					
CASH AND CASH EQUIVALENTS	28,001,800	18,883,441	(9,118,359)	-32.56%	(1)
INVESTMENTS	7,782,800	8,048,073	265,273	3.41%	(1)
ACCOUNTS RECEIVABLE (NET)	1,365,600	1,754,008	388,408	28.44%	
INVENTORY	442,100	369,027	(73,073)	-16.53%	
PREPAID EXPENSES	98,700	41,719	(56,981)	-57.73%	
GRANT RECEIVABLE	-	5,118,623	5,118,623	N/A	
TOTAL CURRENT ASSETS	37,691,000	34,214,891	(3,476,109)	-9.22%	
ASSETS WHOSE USE IS LIMITED :					
CASH - RESTRICTED DONATIONS	1,827,000	2,577,912	750,912	41.10%	(1)
INVESTMENTS - OPERATING RESERVE	8,742,800	8,964,250	221,450	2.53%	
LONG-TERM INVESTMENTS - ENDOWMENT	2,904,500	3,136,467	231,967	7.99%	(1)
TOTAL ASSETS WHOSE USE IS LIMITED	13,474,300	14,678,629	1,204,329	8.94%	
OTHER ASSETS :					
LONG-TERM INVESTMENTS	370,000	436,614	66,614	18.00%	
PROPERTY AND EQUIPMENT, NET	147,966,600	158,729,938	10,763,338	7.27%	(2)
RESERVE ON DERIVATIVE CONTRACT	1,428,900	4,290,481	2,861,581	200.26%	(3)
DEFERRED BOND COSTS, NET	1,566,100	-	(1,566,100)	-100.00%	(4)
TOTAL OTHER ASSETS	151,331,600	163,457,033	12,125,433	8.01%	
TOTAL ASSETS	202,496,900	212,350,553	9,853,653	4.87%	
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
CURRENT MATURITIES OF LONG-TERM DEBT	1,385,000	1,435,000	50,000	3.61%	
ACCOUNTS PAYABLE	1,128,000	901,478	(226,522)	-20.08%	
CONSTRUCTION CONTRACTS PAYABLE	-	3,299,768	3,299,768	N/A	(5)
ACCRUED EXPENSES	2,821,100	3,034,836	213,736	7.58%	
DEFERRED REVENUE	-	3,981,449	3,981,449	N/A	(6)
DEPOSITS ON UNOCCUPIED UNITS	202,300	463,495	261,195	129.11%	
TOTAL CURRENT LIABILITIES	5,536,400	13,116,026	7,579,626	136.91%	
LONG-TERM DEBT, EXCLUDING CURRENT MATURITIES	75,233,700	73,312,348	(1,921,352)	-2.55%	(1)
DEFERRED REVENUE FROM ADMISSION FEES - REFUNDABLE	7,645,800	7,211,333	(434,467)	-5.68%	(6)
DEFERRED REVENUE FROM ADMISSION FEES - NON-REFUNDABLE	36,517,000	34,809,810	(1,707,190)	-4.68%	
REFUNDABLE ADMISSION FEES	17,995,400	17,952,435	(42,965)	-0.24%	(6)
TOTAL LIABILITIES	142,928,300	146,401,952	3,473,652	2.43%	
NET ASSETS:					
UNRESTRICTED (DESIGNATED BY BOARD):					
SELF-INSURANCE	28,700	49,214	20,514	71.48%	
ENDOWMENT	239,400	263,764	24,364	10.18%	
CAPITAL RESERVE	3,981,200	4,394,391	413,191	10.38%	
DEBT SERVICE	4,450,200	4,658,215	208,015	4.67%	
MEMORIAL GARDEN	-	92,436	92,436	N/A	
OPERATING RESERVE	8,742,800	8,964,250	221,450	2.53%	
ZIEGLER	-	138,323	138,323	N/A	
UNDESIGNATED	37,394,800	42,593,374	5,198,574	13.90%	(7)
TOTAL UNRESTRICTED NET ASSETS	54,837,100	61,153,967	6,316,867	11.52%	
TEMPORARILY RESTRICTED - DONATIONS	1,827,000	1,559,396	(267,604)	-14.65%	
PERMANENTLY RESTRICTED - ENDOWMENT	2,904,500	3,235,238	330,738	11.39%	
TOTAL NET ASSETS	59,568,600	65,948,601	6,380,001	10.71%	
TOTAL LIABILITIES AND NET ASSETS	202,496,900	212,350,553	9,853,653	4.87%	

FOR PURPOSES OF THIS SCHEDULE A MATERIAL DIFFERENCE IS DEFINED AS A DIFFERENCE IN EXCESS OF \$500,000.

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NC
FORECASTED VS ACTUAL BALANCE SHEET
FOR THE YEAR ENDING SEPTEMBER 30, 2023**

NOTES ON MATERIAL DIFFERENCES:

- (1) CASH AND INVESTMENTS ARE LOWER THAN FORECAST DUE TO OVERALL TIMING OF PAYMENTS OF THE BOND PROCEEDS TOWARD THE CONSTRUCTION OF NEW APARTMENT BUILDING AND TIMING OF PAYMENTS FOR OTHER CONSTRUCTION PROJECTS OFFSET WITH SLIGHT INCREASE IN MARKET VALUE OF INVESTMENTS.
- (2) PROPERTY, PLANT & EQUIPMENT INCREASED AS COMPARED TO FORECAST DUE TO TIMING OF THE COMPLETION OF MAJOR CONSTRUCTION PROJECTS ON CAMPUS, TURNOVER RENOVATIONS AND NEW SKILLED HEALTHCARE BUILDING.
- (3) RESERVE ON DERIVATIVE CONTRACT INCREASED DUE TO THE OVERALL INCREASE IN INTEREST RATES IN THE CURRENT YEAR VS FORECAST.
- (4) BOND CLOSING COSTS DECREASE VS THE FORECAST IS DUE TO THE CLOSING COSTS BEING GROUPED IN WITH THE LONG TERM DEBT FOR REPORTING PURPOSES AND ACTUAL CLOSING COSTS WERE \$1,565,250 WHICH IS IN-LINE WITH FORECAST.
- (5) INCREASE IN CONSTRUCTION CONTRACTS PAYABLE INCREASED VS FORECAST IS DUE THE CONSTRUCTION CONTRACTS PAYABLE IS NOT FORECASTED ON A YEARLY BASIS.
- (6) DEFERRED REVENUE FROM ADMISSION FEES - REFUNDABLE HIGHER THAN FORECAST DUE TO TIMING OF THE TURNOVERS FOR GARDEN HOMES AND VILLAS AS WELL AS LOWER DEMAND FOR 50% REFUNDABLE CONTRACTS.
- (7) UNDESIGNATED NET ASSETS IS HIGHER THAN FORECASTED DUE TO OVERALL INCREASE IN MARKET OF INVESTMENTS AND INCREASE IN GRANT RECEIVABLE DUE TO CLAIM FOR REFUND UNDER THE EMPLOYEE RETENTION CREDIT (ERC) PROGRAM ESTABLISHED BY CONGRESS FOR \$5,118,623.

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NC
FORECASTED VS ACTUAL STATEMENT OF OPERATIONS
FOR THE YEAR ENDING SEPTEMBER 30, 2023**

	2023 Forecast	2023 Actual	Favorable/(Unfavorable)		NOTES
			\$ Variance	% Variance	
REVENUES:					
RESIDENT SERVICE REVENUES (NET)	34,074,400	33,480,307	(594,093)	-1.74%	(1)
ADMISSION FEES EARNED	5,287,200	4,702,495	(584,705)	-11.06%	(2)
OTHER OPERATING REVENUES	648,000	462,823	(185,177)	-28.58%	
TOTAL REVENUES	40,009,600	38,645,625	(1,363,975)	-3.41%	
EXPENSES:					
OPERATING EXPENSES	29,809,800	30,930,330	(1,120,530)	3.76%	(3)
DEPRECIATION AND AMORTIZATION	8,575,500	8,804,858	(229,358)	2.67%	
INTEREST	2,234,000	2,465,980	(231,980)	10.38%	
TOTAL EXPENSES	40,619,300	42,201,168	(1,581,868)	3.89%	
INCOME (LOSS) FROM OPERATIONS	(609,700)	(3,555,543)	(2,945,843)	483.16%	
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	84,600	433,686	349,086	412.63%	(4)
CHANGE IN VALUE INVESTMENTS - WITHOUT DONOR RESTRICTIONS	654,800	1,651,359	996,559	152.19%	(4)
GRANT INCOME	-	5,118,623	5,118,623	N/A	(5)
CHANGE IN VALUE OF INTEREST RATE SWAP AGREEMENT	-	2,861,571	2,861,571	N/A	(6)
INCREASE (DECREASE) IN NET ASSETS	129,700	6,509,696	6,379,996	4919.04%	

FOR PURPOSES OF THIS SCHEDULE A MATERIAL DIFFERENCE IS DEFINED AS A DIFFERNCE IN EXCESS OF \$250,000.

NOTES ON MATERIAL DIFFERENCES:

- (1) DECREASE IN RESIDENT SERVICES REVENUES IS MAINLY DUE TO LOWER INDEPENDENT LIVING SECOND PERSON FEES ALONG WITH LOWER MEMORY CARE REVENUES DUE TO OVERALL CENSUS VS FORECAST.
- (2) DECREASE IN AMORTIZATION OF DEFERRED REVENUES FROM ADMISSION FEES IS DUE TO THE OVERALL TIMING OF RECOGNIZING THE AMORTIZATION OF ADMISSION FEES BASED ON LIFE EXPECTANCY OF THE RESIDENTS.
- (3) INCREASE IN OPERATING EXPENSES VS FORECAST IS DUE TO HIGHER PAYROLL COSTS OFFSET WITH SLIGHTLY LOWER SUPPLIES COST.
- (4) INCREASE IN PERMANENTLY RESTRICTED NET ASSETS IS MAINLY DUE TO THE OVERALL INCREASE IN INVESTMENTS DUE TO STRONGER INVESTMENT MARKET FOR THE YEAR VS THE FORECAST.
- (5) INCREASE IN GRANT INCOME IS MAINLY DUE TO FILING A CLAIM FOR REFUND UNDER THE EMPLOYEE RETENTION CREDIT (ERC) PROGRAM ESTABLISHED BY CONGRESS FOR \$5,118,623. THE CLAIM FOR THE REFUND WAS NOT FORECASTED.
- (6) INCREASE IN CHANGE IN VALUE OF INTEREST RATE SWAP AGREEMENT IS MAINLY DUE TO ACTUAL INTEREST RATES INCREASED IN CURRENT YEAR COMPARED TO THE RATES FOR OUR INTEREST RATE SWAPS AND THIS CHANGE IS NOT FORECASTED EACH YEAR.

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NC
FORECASTED VS ACTUAL STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING SEPTEMBER 30, 2023**

	2023 Forecast	2023 Actual	Favorable/(Unfavorable)		NOTES
			\$ Variance	% Variance	
CASH FLOWS FROM OPERATING ACTIVITIES:					
CASH RECEIVED FROM RESIDENTS AND THIRD PARTY PAYORS	34,498,200	40,214,237	5,716,037	16.57%	(1)
INVESTMENT INCOME RECEIVED	663,400	577,833	(85,567)	-12.90%	
CONTRIBUTIONS RECEIVED	160,000	108,664	(51,336)	-32.09%	
CASH PAID TO SUPPLIERS AND EMPLOYEES	(29,459,200)	(30,652,740)	(1,193,540)	4.05%	(2)
INTEREST PAID	(2,499,900)	(2,356,234)	143,666	-5.75%	
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,362,500	7,891,760	4,529,260	134.70%	
CASH FLOWS FROM INVESTING ACTIVITIES:					
ACQUISITION OF PROPERTY AND EQUIPMENT	(5,490,100)	(13,470,585)	(7,980,485)	145.36%	(3)
PROCEEDS FROM SALE OF PROPERTY AND EQUIPMENT	-	6,287	6,287	N/A	
PROCEEDS FROM SALE OF INVESTMENTS	-	11,444,392	11,444,392	N/A	(4)
PURCHASE OF INVESTMENTS	(3,980,200)	(11,929,589)	(7,949,389)	199.72%	(4)
NET CASH USED BY INVESTING ACTIVITIES	(9,470,300)	(13,949,495)	(4,479,195)	47.30%	
CASH FLOWS FROM FINANCING ACTIVITIES:					
ADMISSION FEES RECEIVED	5,600,000	506,985	(5,093,015)	-90.95%	(1)
ADMISSION FEES REFUNDED	(800,000)	(849,150)	(49,150)	6.14%	(1)
MEMORIAL GARDEN FEES RECEIVED	-	41,250	41,250	N/A	
ENDOWMENT DONATIONS	-	72,073	72,073	N/A	
PROCEEDS OF LONG TERM DEBT	13,500,000	10,043,901	(3,456,099)	-25.60%	(5)
PAYMENTS ON BOND CLOSING COSTS	(694,000)	(693,477)	523	-0.08%	
PRINCIPAL PAYMENTS OF LONG-TERM DEBT	(1,385,000)	(1,385,000)	-	0.00%	
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	16,221,000	7,736,582	(8,484,418)	-52.31%	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,113,200	1,678,847	(8,434,353)	-83.40%	
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	19,715,600	20,093,321	377,721	1.92%	
CASH AND CASH EQUIVALENTS - END OF YEAR	29,828,800	21,772,168	(8,056,632)	-27.01%	
RECONCILIATION OF CHANGE IN NET ASSETS - TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
INCREASE (DECREASE) IN NET ASSETS	129,700	6,509,696	6,379,996	4919.04%	
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
ENDOWMENT DONATIONS	-	(72,073)	(72,073)	N/A	
CHANGE IN VALUE OF DERIVATIVE CONTRACT	-	(2,861,571)	(2,861,571)	N/A	(6)
(GAIN)/LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT	-	149,560	149,560	N/A	
AMORTIZATION OF DEFERRED REVENUES FROM ADMISSION FEES	(5,287,200)	(4,702,495)	584,705	-11.06%	(7)
RECEIPT OF NON-REFUNDABLE ADMISSION FEES	-	6,587,425	6,587,425	N/A	(1)
AMORTIZATION OF BOND PREMIUM	(265,900)	(265,882)	18	-0.01%	
DEPRECIATION AND AMORTIZATION	8,575,500	8,885,181	309,681	3.61%	
INVENTORY AND PREPAID EXPENSES	(69,600)	(336,156)	(266,556)	382.98%	
INCREASE IN EMPLOYEE RETENTION CREDIT RECEIVABLE	-	(5,118,623)	(5,118,623)	N/A	(8)
NET INCREASE/(DECREASE) IN PAYABLES AND ACCRUED EXPENSES	371,600	397,246	25,646	6.90%	
NET UNREALIZED (GAIN)/LOSS ON INVESTMENTS	-	(798,615)	(798,615)	N/A	(9)
NET REALIZED (GAIN)/LOSS ON INVESTMENTS	(91,600)	(481,933)	(390,333)	426.13%	(9)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,362,500	7,891,760	4,529,260	134.70%	

FOR PURPOSES OF THIS SCHEDULE A MATERIAL DIFFERENCE IS DEFINED AS A DIFFERENCE IN EXCESS OF \$500,000.

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NC
FORECASTED VS ACTUAL STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING SEPTEMBER 30, 2023**

NOTES ON MATERIAL DIFFERENCES:

- (1) FOR AUDIT PRESENTATION PURPOSES THE NET RECEIPT OF \$6,587,425 OF NON-REFUNDABLE ADMISSION FEES HAS BEEN SHOWN AS AN OPERATING ACTIVITY INSTEAD OF A FINANCING ACTIVITY AS IN THE FORECAST. OVERALL NET ADMISSION FEE RECEIPTS WERE HIGHER THAN FORECAST BY \$1,445,260 DUE TO HIGHER ADMISSION FEE RECEIPTS AS COMPARED TO FORECAST.
- (2) INCREASE IN CASH PAID TO SUPPLIERS AND EMPLOYEES VS FORECAST IS MAINLY DUE TO HIGHER AMOUNTS PAID TO EMPLOYEES VS THE FORECAST.
- (3) INCREASE IN ACQUISITION OF PROPERTY AND EQUIPMENT IS HIGHER VS FORECAST DUE THE TIMING OF MAJOR CONSTRUCTION PROJECTS ON CAMPUS SUCH AS THE STOCKTON APARTMENT BUILDING AND RENOVATIONS IN THE CURRENT YEAR.
- (4) OVERALL NET INCREASE IN PURCHASE AND SALE OF INVESTMENTS VERSUS OUR FORECAST IS MAINLY DUE TO THE CURRENT YEAR THE PURCHASES AND SALES ARE BROKEN OUT SEPERATELY AND THE FORECAST IS A NET AMOUNT. ALSO THE OVERALL INCREASE IN PURCHASE/SALE OF INVESTMENTS TRANSACTIONS DUE TO THE VOLATILITY OF THE INVESTMENT MARKET.
- (5) DECREASE IN PROCEEDS OF LONG TERM DEBT IS DUE TO THE OVERALL TIMING OF PAYMENTS FOR THE STOCKTON APARTMENT BUILDING.
- (6) INCREASE IN CHANGE OF DERIVATIVE CONTRACT IS MAINLY DUE TO ACTUAL INTEREST RATES INCREASING AS COMPARED TO THE RATES FOR OUR INTEREST RATE SWAPS AND THIS CHANGE IS NOT FORECASTED EACH YEAR.
- (7) DECREASE IN AMORTIZATION OF DEFERRED REVENUES FROM ADMISSION FEES IS DUE TO THE OVERALL TIMING OF RECOGNIZING THE AMORTIZATION OF ADMISSION FEES BASED ON LIFE EXPECTANCY OF THE RESIDENTS.
- (8) INCREASE IN THE EMPLOYEE RETENTION CREDIT RECEIVABLE IS MAINLY DUE TO FILING A CLAIM FOR REFUND UNDER THE EMPLOYEE RETENTION CREDIT (ERC) PROGRAM ESTABLISHED BY CONGRESS FOR \$5,118,623. THE CLAIM FOR REFUND WAS NOT FORECASTED.
- (9) INCREASE IN NET UNREALIZED (GAIN)/LOSS OF INVESTMENTS AND NET REALIZED (GAIN)/LOSS OF INVESTMENTS IS MAINLY DUE TO UNREALIZED (GAIN)/LOSS OF INVESTMENTS NOT FORECASTED AND VOLATILITY OF THE INVESTMENT MARKET AND INCREASED REALIZED (GAIN)/LOSS OF INVESTMENTS DUE INCREASED SALES OF INVESTMENTS.

**LUTHERAN RETIREMENT MINISTRIES
OF ALAMANCE COUNTY, NORTH CAROLINA
d/b/a
TWIN LAKES COMMUNITY
DISCLOSURE STATEMENT
ATTACHMENT 4
RESIDENCY CONTRACTS**



RESIDENCY CONTRACT FOR LIVING UNIT

THIS CONTRACT is entered into on _____ ("date of this contract") between LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA d/b/a/ TWIN LAKES COMMUNITY, a non-profit corporation ("we" or "us") and _____("you").

BACKGROUND

- A. We own and operate a continuing care retirement community in Burlington, North Carolina, known as "Twin Lakes Community" ("Retirement Community").
- B. We are affiliated with the Evangelical Lutheran Church in America and meet the criteria and provisions for affiliation established by that Church. We are a separate corporation, however, and our Church-affiliated status shall not cause any Lutheran Church body to incur or be subjected to our liabilities or debts. We are fully responsible for the management and fiscal affairs of Retirement Community and solely responsible for any debts and liabilities incurred in its operation.
- C. We do not discriminate on the basis of race, color, creed, national origin, sex, or disability in the admission, retention and care of our residents.
- D. You (or one of you) are at least 62 years of age. You have applied to become a resident in one of our independent living units and your application has been accepted, subject to the execution of this Contract. Your application is made part of this Contract by reference.

AGREEMENT

NOW THEREFORE, for valuable consideration and the promises contained herein, you and we agree as follows:

- 1. **DEFINITIONS.** The following definitions shall apply:
 - a. "Admission Fee": The up-front payment required for admission to Retirement Community. Your Admission Fee, is _____ dollars (\$XXX,000.00).
 - b. "Occupancy Charge": The monthly fee payable to Retirement Community. The goods and services covered by the Occupancy Charge are outlined in Section 6.b, below. The Occupancy Charge is _____dollars (\$X,XXX.00) for a single occupant per month plus _____dollars (\$XXX.00) for each additional occupant.

- c. "Living Unit": The villa, garden home, or apartment that you occupy at Retirement Community. The address of your Living Unit, is _____
- d. "Initial Occupancy Date": The date on which you receive keys to your Living Unit or that is 120 days after the date of this contract, whichever occurs first; provided, however, that if your Living Unit is not ready for occupancy on that date, then we will provide you with a Notice of Availability specifying the Initial Occupancy Date; provided further, that if you receive your keys during the 30-day rescission period, your initial occupancy date shall be deemed to be the 31st day after the date of this contract.
- e. "Rescission Period": The thirty (30) day period in which you may rescind or cancel this Contract.
- f. "Joint Occupancy": Occupancy of the Living Unit by two individuals, one of whom must be at least 62 years of age.

2. ADMISSION FEE.

- a. Amount and Payment. You agree to pay us the Admission Fee in accordance with the following Payment Schedule:
 - Initial deposit in the amount of _____ dollars (\$XX,000.00) paid on XX/XX/20XX.
 - Remaining balance of _____ dollars (\$XXX,000.00) due is to be paid on or before "initial occupancy date" as defined in Section 1d above.

3. CANCELLATION, TERMINATION AND RESCISSION PRIOR TO OCCUPANCY

- a. Right to Rescind. You may rescind or cancel this Contract within thirty (30) days after the later of the date of execution of this Contract or the date you receive our disclosure statement that meets the requirements of Chapter 58 of the North Carolina General Statutes ("Rescission Period").

You may move into your Living Unit during the Rescission Period, but are not obligated to do so. You will not be charged a monthly Occupancy Charge during the Rescission Period, unless you move into your Living Unit during such time.

To rescind the Contract, you must within the Rescission Period: (i) deliver written notice to us; (ii) remove all of your personal property from the Living Unit; and (iii) turn over to us your keys to the Living Unit.

If you rescind the Contract during the Rescission Period, we will refund all amounts you have paid to us subject to the provisions of paragraph d of this Section.

- b. Cancellation Due to Injury, Death or Incapacity. If prior to the Initial Occupancy Date you die or become unable to live independently because of illness, injury or

incapacity, this Contract is automatically canceled and you or your legal representative shall receive a refund of all amounts you have paid to us subject to the provisions of paragraph d of this Section.

- c. Termination by Retirement Community. We may terminate this Contract at any time before the Initial Occupancy Date if we determine, in our sole discretion, that one of the following events has occurred: a) you made a material misrepresentation or omission in your admission application; b) you experienced a change in your health or financial condition such that you no longer satisfy our admissions criteria; or c) you fail to pay the Admission Fee in accordance with the Payment Schedule. If we terminate this Contract, we will refund all amounts you have paid to us, subject to the provisions of paragraph d of this Section.
- d. Amount of Refund. The refund amount will be the amount you have paid us less the following: (i) the costs we specifically incurred at your request for special changes and improvements to your Living Unit and described on Exhibit 1.3 or in any amendment hereto; (ii) the monthly Occupancy Charge or other periodic charges applicable to the period of time since the Initial Occupancy Date; (iii) any other charges, including Occupancy Charges, actually incurred by you since the Initial Occupancy Date; and (iv) a service charge equal to two percent (2%) of your Admission Fee provided for herein.
- e. Timing of Payment of Refund. If this Contract is terminated under the provisions of this Section, we will pay the refund amount to which you are entitled within sixty (60) days after the date of termination.
- f. No Accrual of Interest. No interest shall accrue or be payable on the refund to which you may be entitled under this Contract.

4. MONTHLY OCCUPANCY CHARGES.

- a. Commencement. Beginning on the "start billing" date specified on the Billing Information Form (to be signed by you at closing and attached as an addendum to this contract) and continuing for each month or portion thereof while you occupy your Living Unit, you will pay us a monthly Occupancy Charge. The monthly Occupancy Charge for your first month of occupancy will be payable with your second month's bill. You will pay all subsequent monthly Occupancy Charges in advance on the first day of each calendar month. We reserve the right to charge interest on any past due monthly Occupancy Charges at a rate of one and one-half percent (1½%) per month. Monthly Occupancy Charges not received by the 10th day of the month for which the charge is payable shall be deemed past due. If you do not pay your monthly Occupancy Charges as agreed, we may terminate this Contract as described in Section 9, below. In addition, we may deduct the unpaid charges plus accrued interest and our reasonable attorneys' fees from any refund of your Admission Fee to which you might subsequently be entitled.
- b. Amount of Monthly Occupancy Charge. The initial Occupancy Charge is the amount shown in Section 1 of this Contract. We reserve the right to change the monthly Occupancy Charge as we deem appropriate. We consider a number of

financial, economic, programmatic and regulatory factors in developing our annual operating budget and potential increases in fees for our residents. These factors include, but are not limited to, competitive market pressures such as employee wages and benefits, insurance costs and cost of capital; projected increases from vendors and other providers of goods and services; adjustments in government programs such as Medicare and Medicaid; additional resident service programs; repair and maintenance of facilities; and technological advances.

The amount of your Occupancy Charge may change between the date of this contract and the date your first Occupancy Charge is due; in such event, we will advise you in writing in advance of the change. It is our policy not to change the Occupancy Charge more than twice each calendar year, but we reserve the right to make more frequent changes should we deem it appropriate.

- c. Continuation of Fee During Absence. You agree to pay your monthly Occupancy charges on time and in full during your absence from your Living Unit, whether such absence is voluntary (such as vacation) or involuntary (such as hospitalization), including during any time when you reside in a facility on the Retirement Community campus that provides a level of care other than independent living.
- d. Financial Difficulty. If you experience financial difficulties beyond your control while a resident of Retirement Community, you may submit a request to us for assistance with the cost of your monthly Occupancy Charge. We will evaluate your request based on your individual circumstances, and we may grant or deny financial assistance to you for any reason in our sole discretion. Financial difficulties which in our judgment are the result of your gift giving, imprudent disbursement of financial resources, or intentional sheltering of assets will not be grounds for financial assistance.
- e. Benefit Programs. You agree to make proper application for Medicaid, public assistance, or any other available public benefit programs for which you might be eligible once you have exhausted the financial resources that you disclosed on your application. You agree to notify us of your application and to our communicating with such programs and such programs communicating with us concerning your application and eligibility for assistance. Failure to do so in good faith, or to provide the information necessary for the application for such assistance to be processed, shall constitute a breach of this Contract and may result in termination of this Contract as described in Section 9, below.

5. OCCUPANCY OF LIVING UNIT.

- a. Right to Occupy. You have the right to occupy the Living Unit identified in Section 1 of this Contract, and more specifically identified on attached Exhibit 3.1, from the Initial Occupancy Date until the right to occupy your Living Unit is terminated as herein provided. You agree that no one other than you will occupy your Living Unit without our advance written consent. You do not need to obtain our consent for an occasional overnight guest who stays one week or less with you. No one

who resides with you, whether with or without our consent, shall have any rights under this Contract, or any claim for care or services from us.

- b. Joint Occupancy. If this Contract is entered into by two individuals for joint residency of a single living unit, each joint resident is jointly and severally liable for the payment and performance of all obligations under this Contract. If one joint resident dies or abandons the Living Unit, the remaining resident shall continue to be obligated under this Contract, except that we will charge you the monthly Occupancy Fee for only one person.
- c. Marriage during Term of Contract. If you marry during the term of this Contract, the following shall apply:
 - i. Marriage to Another CCRC Contract Holder. If you marry someone who also is a resident of the Retirement Community under a CCRC contract with us, you may surrender either of the living units and choose to occupy one. If you surrender the living unit described in this Contract, refund of your Admission Fee will be governed by this Contract. If you choose to occupy the living unit described in this Contract, you will begin paying the Occupancy Charge for two occupants when your spouse moves into your Living Unit.
 - ii. Marriage to a Person Not a CCRC Contract Holder. If you marry someone who is not a resident of the Retirement Community under a CCRC contract with us, your spouse may become a resident of your Living Unit if your spouse 1) meets all the current requirements for admission to the type of Living Unit you occupy; 2) signs this contract and any amendments we deem necessary; and 3) pays an additional Admission Fee, the amount to be determined by the retirement community. If your spouse does not meet our requirements for admission or chooses not to become a CCRC contract holder with us, you may request that your spouse be permitted to occupy your unit. If we approve your spouse's occupancy, you will pay a second person Occupancy Charge for your spouse, but your spouse will have no rights under this contract and no claim for care, services or residency from us.
- d. Relocation to Another Independent Living Unit. We will consider your request to move from one living unit to another within Independent Living, and we reserve the exclusive right to determine, in our discretion, whether to permit such a move. A move to another living unit does not cause any change to the accrual period used to determine the refund amount to which you may be entitled upon termination of this Contract. Such a move will not entitle you to any part of the accrual portion of your Admission Fee. You may be charged an additional Admission Fee equal to the difference between the then current Admission Fee for the new unit and the Admission Fee you paid for your Living Unit under this Contract. In addition, you may be charged an internal move fee pursuant to our internal move policy. You will be responsible for your cost of moving.

6. FACILITIES AND SERVICES PROVIDED BY RETIREMENT COMMUNITY.

- a. Physical Facilities. The Retirement Community consists of apartments, villas, and garden homes for Independent Living; apartments for Assisted Living; a Healthcare Facility; a Memory Care Facility; administrative and staff offices; recreational facilities; facilities for preparing and serving meals; and common activities facilities.
- b. Basic Services. The following basic services and expenses will be covered by your monthly Occupancy Charge:
 - i. Insurance. We carry fire and extended coverage insurance on our buildings and liability coverage for the Retirement Community. You are required to secure and are responsible for the cost of property and casualty and liability insurance for your personal belongings and other personal property located at the Retirement Community. We do not carry insurance on your personal property.
 - ii. Utilities. We furnish and pay for the cost of heat and electricity, air conditioning, cable television service, internet service, water and sewer services, and trash collection. You are responsible for the cost of installation of telephone service and the monthly charge for that service.
 - iii. Fixtures. We furnish your home with window blinds, an electric range, a built-in microwave, a refrigerator, and a garbage disposal. Shared washing machines and clothes dryers are available to Aldersgate and Brandenburg apartment units; washing machines, clothes dryers and dishwashers are standard in all other floor plans.
 - iv. General Maintenance of Common Areas and Grounds. We maintain all common areas and grounds.
 - v. Parking Spaces. You are entitled to the use of parking areas designated on the Retirement Community premises for resident and visitor parking. Two assigned spaces are provided with villas. Stockton apartments include one covered space; second vehicles are parked in non-exclusive parking spaces adjacent to the building. Residents living in all other apartments have access to non-exclusive parking in designated areas.
 - vi. Recreational, Social and Religious Activities. We provide recreational, physical, social, spiritual, educational and cultural activities as we determine in our discretion.
 - vii. Emergency Response Assistance. Our emergency response staff is on call twenty-four hours a day for emergencies.
 - viii. Maintenance of Living Unit and Fixtures. We maintain the structural portion of your home and the fixtures described in Section 6.b.iii above. This

maintenance does not include housekeeping or maintenance of your personal property.

- ix. Transportation. We provide regularly scheduled group transportation to selected medical facilities, shopping malls and grocery stores. The schedule and locations may be adjusted, modified, and changed at our discretion.
 - x. Annual Cleaning. Our housekeeping staff will perform an annual cleaning of your home at no additional charge to you. Advance notice will be given for annual cleaning dates.
 - xi. Grace Days. We will use good faith efforts to make available each calendar year up to three days per independent living resident of temporary care in one of our facilities without additional occupancy charge to you. These grace days do not renew in the event of a long-term move to healthcare. These grace days shall not be cumulative or transferable to another resident, whether such resident is a party to this or another Contract. Please note that fees for services (including, but not limited to, salon, therapy, transportation, and pharmacy) used during a stay in health care will not be waived.
- c. Optional Services. We may make certain services available to you to purchase at your option on a fee-for-service basis. Fees for such services will be payable either at the time the service is rendered or upon billing by us, as we deem appropriate. Such optional services may be expanded or reduced in our sole discretion. Optional services currently include:
- i. Meal Service. Meal service is available at the Hearth Cafe on an à la carte basis. Meals are available at The Blue Heron Pub and The Terrace Restaurant in the Boland Center as posted.
 - ii. Housekeeping. Housekeeping services are available at rates established by Retirement Community.
 - iii. Transportation. Limited personal transportation service is available.
 - iv. Home Care. Private duty personal services are available and are provided by certified nursing assistants.
 - v. Rehabilitation. Speech Therapy, Occupational Therapy and Physical Therapy services are available in the Coble Healthcare Facility.
 - vi. Salon Services. A salon is located in the Coble Healthcare Facility and is available for use by residents of the Retirement Community.

7. MAINTENANCE OF LIVING UNIT.

- a. Your Responsibilities. You agree:
- i. To keep your Living Unit clean, safe and sanitary at all times;
 - ii. To dispose of all rubbish, garbage and other waste in a clean and safe manner and in a designated area;
 - iii. To use in a proper and reasonable manner all electrical, plumbing, sanitary, heating, ventilating and other fixtures and appliances we furnish as a part of your Living Unit;
 - iv. Not to destroy, deface, damage or remove any part of your Living Unit or permit others to do so;
 - v. To obtain our approval before you make any modifications to your Living Unit; and
 - vi. To be responsible for all damage to, defacement of or removal of our property and fixtures in your Living Unit, whatever the cause, except when caused by ordinary wear and tear, by an act of one of our agents, by a third party not your guest or invitee, or by natural causes.
- b. Our Responsibilities. We agree:
- i. To comply with all building codes applicable to your Living Unit;
 - ii. Except as stated above, to make all repairs and do whatever is necessary to maintain your Living Unit in a fit and habitable condition; and
 - iii. To maintain in good and safe working order and, upon written notification from you of a need for repair, to repair promptly all electrical, plumbing, sanitary, heating, ventilating and other facilities and fixtures provided by us in your Living Unit.

8. RESIDENT ACCESS TO OTHER RETIREMENT COMMUNITY FACILITIES.

- a. Priority. You will have priority access over residents who have not entered into a CCRC contract with us and over nonresidents to available Assisted Living apartments and available beds in our Coble Healthcare and Memory Care Facilities.
- b. Additional Charges. If you temporarily move to another level of care at the Retirement Community, you agree to pay the charges established by us for the increased services and care available at that level of care, and to continue to pay the monthly Occupancy Charges for your Living Unit.
- c. Outside Care. We operate a home care agency for our residents so that you have a convenient source from which to hire additional personal care services to be provided in your home. You may not hire outside assistance with personal care in

your home if we are able to meet your needs for such care. If we are not able to meet your needs and you choose to hire outside care through an agency other than ours, you agree to comply with the requirements of our policy on outside employees.

9. TERMINATION AFTER INITIAL OCCUPANCY DATE.

- a. Termination by You after Initial Occupancy Date. After the Initial Occupancy Date you have the right to terminate this Contract at any time for any reason, by giving us at least thirty (30) days' written notice. In addition, this Contract will automatically terminate thirty (30) days after your death or abandonment of your Living Unit.
- b. Termination by Retirement Community After Initial Occupancy Date. After the Initial Occupancy Date we may terminate this Contract upon thirty (30) days' written notice to you for any of the following reasons: i) we determine, after consulting with a physician we select, that you pose a threat to yourself or to the health, safety or welfare of our other Residents; ii) you require care that we do not or cannot provide; iii) our Board of Directors determines, in its sole discretion, that you are not compatible with our other residents or that you are disruptive of the Retirement Community's environment; iv) you fail to pay the monthly Occupancy Charge for your Living Unit or charges for other services and facilities provided by us to you; v) you fail to comply with your commitment, under the terms of this Contract, not to shelter assets or otherwise arrange your financial affairs in a manner that would enable you to become eligible for a program or programs of public assistance such as Medicaid without having first obtained the written consent of our Chief Executive Officer; or vi) you fail to comply with the terms of this Contract or with our published rules, regulations and policies as amended from time to time.
- c. Your Obligations upon Termination of this Contract. If this Contract terminates under this Section 9 of the Contract, you agree that, within thirty (30) days after written notice of termination, you will remove (or in the event of your death, your legal representative within thirty days of your death will so remove) all of your personal property from your Living Unit and you will vacate the Living Unit, leaving it in the same condition as on the Initial Occupancy Date, except for normal wear and tear.
- d. Our Right to Remove and Dispose of Your Personal Property. We may remove any personal property that you do not remove from your Living Unit by the end of the thirty-day notice period. We may, but are not obligated to, pack and store any items we choose, and you agree to pay the actual cost for such packing and storage. You also agree that we are not responsible for any damage that occurs to your personal property remaining in your Living Unit after you have vacated the Living Unit. If you do not pay the packing/storage fee and do not retrieve your personal property within three (3) months of your last day of occupancy, we may dispose of the personal property in any manner we deem appropriate, and we shall not be liable to you or your heirs for such personal property or any proceeds from the sale of such personal property.

- e. Payment of Admission Fee Refund upon Termination of this Contract. If this Contract is terminated within two and one-half years (that is, within 912 days) after the Initial Occupancy Date, you shall be entitled to receive a refund of a portion of your admission fee. No part of the amount you paid us to make special changes or improvements to your Living Unit, as described on Exhibit 1.3 or in any amendment hereto, is refundable.

During the first two and one-half years following your Initial Occupancy Date ("912 Day Period"), 96% of your admission fee will decline ratably over that 912 Day Period.

The total amount of your refund will be calculated according to the following formula:

Amount of Refund in Dollars	=	$\left[\left(\frac{\text{Admission Fee X 96 \%}}{912} \right) \times \left(912 \text{ minus } \begin{array}{l} \text{Number of} \\ \text{Days (Full or} \\ \text{Partial) in} \\ \text{your Accrual} \\ \text{Period as} \\ \text{calculated} \\ \text{below} \end{array} \right) \right]$	
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Thus, the refund amount declines ratably over a 30-month period that begins on your initial occupancy date. The amount that declines ratably is equal to 96% of your admission fee.

The refund shall be reduced by (i) any amounts that you owe to us, including but not limited to unpaid Occupancy Charges; (ii) any costs we incur to restore your Living Unit to its original condition, other than for normal wear and tear; (iii) any costs we incur to remove, store or dispose of personal property you leave in your Living Unit; and (iv) the amount of any financial assistance we have provided to you.

- i. Accrual Period. For purposes of calculating the refund payable to you under this provision of the Contract, the first day of your Accrual Period shall be the Initial Occupancy Date; the last day of your Accrual Period shall be the day on which you a) have ceased to be a resident of the Retirement Community in any level of care; b) have removed all of your personal property from the Living Unit (or from such other unit within the facilities of the Retirement Community as you occupied at the time you ceased to be a resident of the Retirement Community); and c) have delivered to us your keys to the Living Unit, thereby relinquishing your free access to the Living Unit. You and we recognize that the first thirty (30) days of your Accrual Period are subject to the provisions of the Section of this Contract

entitled "Right to Rescind." Under no circumstances shall the accrual period exceed 912 days.

- ii. No Refund During Your Residency. No refund shall be paid when you continue to be a resident of the Retirement Community, whether in another unit or under a different level of care within the facilities of the Retirement Community.
- iii. No Interest on Refund. No interest shall be payable on the refund.
- iv. Timing of Payment of Refund. We will pay the refund amount to you within sixty (60) days after we collect a new Admission Fee for your Living Unit from a new resident or after you have ceased to be a resident of the Retirement Community, whichever shall later occur.

10. AGREEMENT TO SUBMIT DISPUTE TO MEDIATION OR ARBITRATION. You and we agree that in the event a dispute arises regarding your care or treatment or in the event you or we have any other claim or dispute, including any claim or dispute arising under this Contract or relating to the interpretation of this Contract but excluding any pricing disputes such as any dispute over adjustments of monthly or daily rates or other costs associated with resident services or care, any and all such claims or disputes shall first be submitted to a mediator for possible resolution, and if mediation is unsuccessful in resolving all aspects of the dispute, then the same shall be submitted to binding arbitration, as more specifically set forth herein. You and we understand that by agreeing to arbitration, both you and we are waiving the constitutional right to have any claim that we or you might have decided in a court of law before a judge and jury.

- a. Mediation. You and we agree that if you or your representative has a claim or dispute against us, you or your representative shall notify us in writing of the dispute and shall provide a description and factual details of the nature of the claim or dispute. You and we
 - i. May submit evidence or information in writing to a mediator, to be designated by the mutual agreement of you and us, in support of the claim or dispute and of any defense either of us may have to the claim. If you and we cannot agree on the designation of a mediator, each party shall select a mediator, and those two mediators shall then select a third mediator who will mediate the dispute. This selection of a mediator shall be binding upon both of us;
 - ii. Have the right to a hearing before the mediator, at which you and we may present evidence in support of or in defense of any such claim or dispute to the extent allowed by the mediator. The mediator will set the time and date of the hearing and assist each of us in an unbiased manner in attempting to reach an amicable settlement of the claim or dispute;
 - iii. Agree that the mediation shall be scheduled at a time convenient for you and us and shall be held in Alamance County, North Carolina;

- iv. Agree that, if either of us refuses to negotiate or mediate in a good faith attempt to resolve the matter of concern, the mediator shall be required to note that fact in the mediator's conclusion to the mediation attempt;
- v. Agree that, in the event the parties are unable to reach an amicable settlement, we will then submit the dispute to a mandatory, binding arbitration consistent with the North Carolina Uniform Arbitration Act and the rules of the American Arbitration Association, as set forth below.

b. ARBITRATION. You and we agree voluntarily to submit to binding arbitration any controversy, dispute or claim that remains unsettled after mediation in accordance with the following procedure:

- i. **Any dispute or controversy not settled through the mediation process outlined above shall be submitted to, and determined and settled by, binding arbitration in Alamance County, North Carolina, in accordance with the North Carolina Uniform Arbitration Act and the rules of the American Arbitration Association.**
- ii. **You and we shall mutually select and retain the services of an arbitrator or arbitration company (hereinafter "arbitrator"). If you and we are unable to agree to the selection of an arbitrator, then each of us shall choose an arbitrator, and the two arbitrators shall in turn choose an arbitrator mutually agreeable to said two arbitrators. The third arbitrator so chosen shall be the arbitrator that you and we retain to settle our claim or dispute, and the choice of said arbitrator shall be binding upon both of us.**
- iii. **The costs and expenses (including reasonable attorneys' fees) in connection with the arbitration shall be allocated between you and us in the manner that the Arbitrator decides to be fair and appropriate under the circumstances.**

The decision of the Arbitrator shall be final, shall not be appealable and shall not be stayed, and judgment upon such decision may be entered in any court of competent jurisdiction. Application may be made to such court for confirmation of such decision or a judicial acceptance thereof, or for an order of enforcement or other legal remedy which may be necessary to effectuate such decision. This clause goes to the very essence of this stipulation. However, in the event the party against whom the decision is made shall appeal from any such decision or file or cause to be filed a complaint with any state court after the issuance of the arbitrator's findings, then the appellant or claimant agrees, without question, to pay and be responsible for paying any and all court costs, attorney fees, and any other cost incurred by the nonclaimant or appellee (party not initiating the Court action) in participating in such litigation.

BY AGREEING TO THIS PROVISION, YOU WAIVE YOUR CONSTITUTIONAL RIGHT TO A JURY TRIAL. However, this agreement to arbitrate shall not limit your right to file a grievance or complaint, formal or informal, with Retirement Community or any appropriate state or federal agency.

The parties agree that damages awarded, if any, in an arbitration conducted pursuant to this Section 10 shall be determined in accordance with the provisions of the state or federal law applicable to a comparable civil action, including any prerequisites to, credit against, or limitations on, such damages.

It is the intention of the parties to this Contract that the provisions of this Section 10 shall inure to the benefit of and bind the parties, their successors and assigns, including the agents, employees and servants of Retirement Community, and all persons whose claims are derived through or on your behalf, including that of any parent, spouse, child, guardian, executor, administrator, legal representative, or heir.

All claims based in whole or in part on the same incident, transaction, or related course of care or services provided by Retirement Community to you shall be arbitrated in one proceeding. A claim shall be waived and forever barred if it arose prior to the date upon which notice of arbitration is given to Retirement Community or received by you and is not presented in the arbitration proceeding.

11. REPRESENTATIONS AND FURTHER AGREEMENTS BY YOU.

- a. Health and Financial Information Material Part of Contract. You acknowledge that the medical, personal, and financial information you submitted as part of your application with us is a material part of this Contract, and that we have relied upon that information in determining your ability to meet the financial obligations of residency in the Retirement Community.
- b. Prohibition against Medicaid Planning and Other Asset Protection Planning Strategies. We must protect ourselves and our residents against the risk to the financial strength of the Retirement Community that could be caused by a resident engaging in financial planning designed to protect that resident's financial resources against the cost of medical care for that resident or that resident's spouse ("Medicaid Planning"). Medicaid Planning includes, but is not limited to, the making of gifts; the funding of trusts; the investment in or purchase of assets that are deemed not to count as resources for purposes of determining one's eligibility for government programs such as Medicaid; and engaging in other strategies designed to enable the resident to become eligible for financial assistance from government programs before the resident has exhausted the resident's resources in paying for the resident's normal living expenses and the

resident's medical care. As a material and express condition of this Contract, you agree not to engage in Medicaid Planning without having first obtained the written consent of the Chief Executive Officer of Retirement Community. Furthermore, pursuant to Section 1396ra(c)(5)(B)(V) of Chapter 42 of the United States Code, a material and express condition of this Contract is your agreement not to seek assistance from Medicaid with the cost of your care until you have exhausted, through payment for your health, maintenance and support, the financial resources set forth on your application for admission to Twin Lakes Community.

In the event of any material misrepresentation in or omission from your application for admission to the Retirement Community, or in the event that you violate the prohibition against Medicaid Planning, we may terminate this Contract and the termination and refund provisions in this Contract then apply.

- c. Obligation to Update Health and Financial Information. You agree to provide such additional health and financial information as we may request during the term of this Contract. You agree to notify us if you learn that you have a communicable disease. Accordingly, you also agree to authorize the release of all medical information to us at any time we request such information, and you have executed such an authorization coincident with the execution of this Contract. In addition, you agree to furnish a full and accurate financial statement of assets, liabilities, and income and shall authorize the release of all financial information of third parties to us at any time we may so request. You also authorize us to release such health and financial information to third parties (i) who provide financial assistance to you or (ii) to whom you have applied for assistance, including but not limited to, the Department of Social Services, the Social Security Administration, the Division of Medical Assistance, other organizations involved in the administration of Medicare and Medicaid, and health insurance companies. You also authorize us to communicate with such programs or companies and them with us concerning your application and eligibility. You have executed such an authorization coincident with the execution of this Contract.
- d. Medical Insurance. You agree to maintain Medicare Part A and Medicare Part B, or equivalent insurance coverage acceptable to us, with evidence of such coverage upon request.
- e. Emergency Transportation. In the case of an emergency, you authorize us to arrange for transportation by an emergency services provider that we choose in our discretion. You agree to pay the cost of the emergency services provider.
- f. Other Health Costs. You agree to pay the cost, if any, for services of consultants and other services and supplies not included in this Contract when expressly ordered by your physician or requested by you or your family. In the event of a health emergency, you agree to pay for additional charges in excess of the monthly Occupancy Charge for special services or supplies that we, in our discretion, deem reasonable or necessary.

- g. Reasonable Care. We agree to exercise such reasonable care toward you as your known condition may require. However, we are in no sense an insurer of your safety or welfare and assume no liability for such.
- h. Move to Another Level of Care. We may effect your move to another living unit in Independent Living or another level of care within the facilities of the Retirement Community. The decision to effect such a move will be in our sole discretion and will be binding on you; the decision will be made, however, only after consulting with you, and when we deem it appropriate, with your family, physician, or designee.
- i. Valuables. Neither we nor our employees are responsible for any valuables or money in your possession. We accept full responsibility for valuables and money turned over to us for safekeeping.
- j. Rules and Regulations. You agree to abide by all rules and regulations in effect from time to time and applicable to residents of the Retirement Community.
- k. Tobacco Free Campus. Twin Lakes Community is a tobacco-free campus. The use of tobacco products is strictly prohibited on our campus, including within private residences on our campus. You agree to adhere to, and to ensure that any guests of yours adhere to, our tobacco-free policy, and to any modifications to the policy.
- l. Pets. You agree that, without our prior written consent, you will not keep or maintain either temporarily or permanently any dogs, cats or other animals or pets, except for fish or small birds in appropriate containers.
- m. Non-Assignment. Your rights and privileges under this Contract are personal to you and cannot be transferred or assigned to any other person voluntarily or by execution of law. No person other than you may occupy your Living Unit except with our prior written approval.
- n. Additional Obligations. In addition to the other obligations under this Contract, you agree:
 - i. To absolve and release us and our employees of any responsibility for any event, accident or deterioration of medical condition while you are away from the premises of the Retirement Community and not under the direct care and supervision of our staff.
 - ii. To pay and indemnify us for all costs we incur, including reasonable attorney's fees, if you fail to pay any amount due us under the terms of the Contract, or if you breach any other terms of this Contract.
 - iii. If you are injured by a third party, you agree that we shall be subrogated to your rights to recover from such third party the costs and expenses incurred by reason of such injuries, and you authorize us to take all

necessary steps to enforce the payment of such costs and expenses by the responsible third party.

- iv. You agree to pay or reimburse us for any loss or damage we suffer as a result of the negligence or misconduct of you or your guest or invitee. We assume no responsibility for any injury or illness you suffer as a result of the negligence or intentional misconduct of any third party.
- o. Nature of Your Rights. Your rights under this Contract are the rights and privileges herein expressly granted and do not include any proprietary interest or membership in the Retirement Community.
- p. Obligations Divisible. If a portion of this Contract shall be determined to be illegal or unenforceable or not in conformity with applicable laws and regulations, the remainder of this Contract shall continue in full force and effect.
- q. Disclosure Statement. You hereby acknowledge that you have received a copy of our current disclosure statement. In the event of any discrepancy between the language contained in this Contract and the language contained in the disclosure statement, the language of this Contract shall control. You further acknowledge that, prior to the execution of this Contract, you have transferred to us no money or other property except for your deposit money.
- r. Successors and Assigns. This Contract shall be binding upon, inure to the benefit of, and be enforceable by, Lutheran Retirement Ministries of Alamance County, North Carolina d/b/a Twin Lakes Community, its successors and assigns.
- s. Transfer to Another Level of Care. If you transfer to another level of care at the Retirement Community, you agree to enter into an addendum agreement at that time specific to the new level of care. The Addendum will contain terms and occupancy rates consistent with the terms and rates then offered by us to other residents for that level of care.
- t. Evaluation by a Physician. You agree to permit a physician selected by Retirement Community to evaluate you should we believe, in our sole discretion, that you may pose a threat to yourself or to the health, safety or welfare of our other residents or that you require care that we do not or cannot provide.
- u. Site Plans. All structures and improvements not constructed as of the date of this Contract but shown on a site plan or in advertising or promotional material for the Retirement Community are solely for the illustrative purposes of showing the proposed development of the Retirement Community, and we are under no obligation to you to complete such structures or improvements.
- v. Entire Contract. This Contract constitutes the entire agreement between you and us. We are not liable for or bound in any manner by any statements, representations or promises made by any person representing or purporting to represent us unless such statements, representations or promises are set forth in this Contract.

- w. Governing Law. This Contract shall be governed by and interpreted in accordance with the law of the State of North Carolina and any applicable federal laws.
- x. Amendments Only in Writing. This Contract may only be amended or changed in writing by all parties to the Contract and in accordance with any applicable laws governing the Contract. This Contract replaces any prior contracts between the parties.

LUTHERAN RETIREMENT MINISTRIES
OF ALAMANCE COUNTY, NORTH CAROLINA,
d/b/a/ TWIN LAKES COMMUNITY

_____ (SEAL)

Pamela S. Fox, President, CEO

_____ (SEAL) _____ (SEAL)

Resident

Resident



RESIDENCY CONTRACT FOR LIVING UNIT
50% Refundable Admission

THIS CONTRACT is entered into on _____ (date of this contract") between LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA d/b/a/ TWIN LAKES COMMUNITY, a non-profit corporation ("we" or "us") and _____ ("you").

BACKGROUND

- A. We own and operate a continuing care retirement community in Burlington, North Carolina, known as "Twin Lakes Community" ("Retirement Community").
- B. We are affiliated with the Evangelical Lutheran Church in America and meet the criteria and provisions for affiliation established by that Church. We are a separate corporation, however, and our Church-affiliated status shall not cause any Lutheran Church body to incur or be subjected to our liabilities or debts. We are fully responsible for the management and fiscal affairs of Retirement Community and solely responsible for any debts and liabilities incurred in its operation.
- C. We do not discriminate on the basis of race, color, creed, national origin, sex, or disability in the admission, retention and care of our residents.
- D. You (or one of you) are at least 62 years of age. You have applied to become a resident in one of our independent living units and your application has been accepted, subject to the execution of this Contract. Your application is made part of this Contract by reference.

AGREEMENT

NOW THEREFORE, for valuable consideration and the promises contained herein, you and we agree as follows:

12. **DEFINITIONS.** The following definitions shall apply:

- a. "Admission Fee": The up-front payment required for admission to Retirement Community. Your Admission Fee, is _____ (\$_____).

- b. "Occupancy Charge": The monthly fee payable to Retirement Community. The goods and services covered by the Occupancy Charge are outlined in Section 6.b, below. The Occupancy Charge is _____ dollars (\$_____) for a single occupant per month plus _____ dollars (\$xxx) for each additional occupant.
- c. "Living Unit": The villa, garden home, or apartment that you occupy at Retirement Community. The address of your Living Unit is _____.
- d. "Initial Occupancy Date": The date on which you receive keys to your Living Unit or that is 120 days after the date of this contract, whichever occurs first; provided, however, that if your Living Unit is not ready for occupancy on that date, then we will provide you with a Notice of Availability specifying the Initial Occupancy Date; provided further, that if you receive your keys during the 30-day rescission period, your initial occupancy date shall be deemed to be the 31st day after the date of this contract.
- g. "Rescission Period": The thirty (30) day period in which you may rescind or cancel this Contract.
- h. "Joint Occupancy": Occupancy of the Living Unit by two individuals, one of whom must be at least 62 years of age.

13. ADMISSION FEE.

- a. Amount and Payment. You agree to pay us the Admission Fee in accordance with the following Payment Schedule:
 - Initial deposit in the amount of _____ (\$xxx) paid on _____.
 - Remaining balance of _____ dollars (\$XX,XXX.00) due is to be paid on or before "initial occupancy date" as defined in Section 1d above.

14. CANCELLATION, TERMINATION AND RESCISSION PRIOR TO OCCUPANCY

- a. Right to Rescind. You may rescind or cancel this Contract within thirty (30) days after the later of the date of execution of this Contract or the date you receive our disclosure statement that meets the requirements of Chapter 58 of the North Carolina General Statutes ("Rescission Period").

You may move into your Living Unit during the Rescission Period, but are not obligated to do so. You will not be charged a monthly Occupancy Charge during the Rescission Period, unless you move into your Living Unit during such time.

To rescind the Contract, you must within the Rescission Period: (i) deliver written notice to us; (ii) remove all of your personal property from the Living Unit; and (iii) turn over to us your keys to the Living Unit.

If you rescind the Contract during the Rescission Period, we will refund all amounts you have paid to us subject to the provisions of paragraph d of this Section.

- b. Cancellation Due to Injury, Death or Incapacity. If prior to the Initial Occupancy Date you die or become unable to live independently because of illness, injury or incapacity, this Contract is automatically canceled and you or your legal representative shall receive a refund of all amounts you have paid to us subject to the provisions of paragraph d of this Section.
- c. Termination by Retirement Community. We may terminate this Contract at any time before the Initial Occupancy Date if we determine, in our sole discretion, that one of the following events has occurred: a) you made a material misrepresentation or omission in your admission application; b) you experienced a change in your health or financial condition such that you no longer satisfy our admissions criteria; or c) you fail to pay the Admission Fee in accordance with the Payment Schedule. If we terminate this Contract, we will refund all amounts you have paid to us, subject to the provisions of paragraph d of this Section.
- d. Amount of Refund. The refund amount will be the amount you have paid us less the following: (i) the costs we specifically incurred at your request for special changes and improvements to your Living Unit and described on Exhibit 1.3 or in any amendment hereto; (ii) the monthly Occupancy Charge or other periodic charges applicable to the period of time since the Initial Occupancy Date; (iii) any other charges, including Occupancy Charges, actually incurred by you since the Initial Occupancy Date; and (iv) a service charge equal to two percent (2%) of your Admission Fee provided for herein.
- e. Timing of Payment of Refund. If this Contract is terminated under the provisions of this Section, we will pay the refund amount to which you are entitled within sixty (60) days after the date of termination.
- f. No Accrual of Interest. No interest shall accrue or be payable on the refund to which you may be entitled under this Contract.

15. MONTHLY OCCUPANCY CHARGES.

- a. Commencement. Beginning on the "start billing" date specified on the Billing Information Form (to be signed by you at closing and attached as an addendum to this contract) and continuing for each month or portion thereof while you occupy your Living Unit, you will pay us a monthly Occupancy Charge. The monthly Occupancy Charge for your first month of occupancy will be payable with your second month's bill. You will pay all subsequent monthly Occupancy Charges in advance on the first day of each calendar month. We reserve the right to charge interest on any past due monthly Occupancy Charges at a rate of one and one-half percent (1½%) per month. Monthly Occupancy Charges not received by the 10th day of the month for which the charge is payable shall be deemed past due. If you do not pay your monthly Occupancy Charges as agreed, we may terminate this Contract as described in Section 9, below. In addition, we may deduct the

unpaid charges plus accrued interest and our reasonable attorneys' fees from any refund of your Admission Fee to which you might subsequently be entitled.

- b. Amount of Monthly Occupancy Charge. The initial Occupancy Charge is the amount shown in Section 1 of this Contract. We reserve the right to change the monthly Occupancy Charge as we deem appropriate. We consider a number of financial, economic, programmatic and regulatory factors in developing our annual operating budget and potential increases in fees for our residents. These factors include, but are not limited to, competitive market pressures such as employee wages and benefits, insurance costs and cost of capital; projected increases from vendors and other providers of goods and services; adjustments in government programs such as Medicare and Medicaid; additional resident service programs; repair and maintenance of facilities; and technological advances.

The amount of your Occupancy Charge may change between the date of this contract and the date your first Occupancy Charge is due; in such event, we will advise you in writing in advance of the change. It is our policy not to change the Occupancy Charge more than twice each calendar year, but we reserve the right to make more frequent changes should we deem it appropriate.

- c. Continuation of Fee During Absence. You agree to pay your monthly Occupancy charges on time and in full during your absence from your Living Unit, whether such absence is voluntary (such as vacation) or involuntary (such as hospitalization), including during any time when you reside in a facility on the Retirement Community campus that provides a level of care other than independent living.
- d. Financial Difficulty. If you experience financial difficulties beyond your control while a resident of Retirement Community, you may submit a request to us for assistance with the cost of your monthly Occupancy Charge. We will evaluate your request based on your individual circumstances, and we may grant or deny financial assistance to you for any reason in our sole discretion. Financial difficulties which in our judgment are the result of your gift giving, imprudent disbursement of financial resources, or intentional sheltering of assets will not be grounds for financial assistance.
- e. Benefit Programs. You agree to make proper application for Medicaid, public assistance, or any other available public benefit programs for which you might be eligible once you have exhausted the financial resources that you disclosed on your application. You agree to notify us of your application and to our communicating with such programs and such programs communicating with us concerning your application and eligibility for assistance. Failure to do so in good faith, or to provide the information necessary for the application for such assistance to be processed, shall constitute a breach of this Contract and may result in termination of this Contract as described in Section 9, below.

16. OCCUPANCY OF LIVING UNIT.

- a. Right to Occupy. You have the right to occupy the Living Unit identified in Section 1 of this Contract, and more specifically identified on attached Exhibit 3.1, from the Initial Occupancy Date until the right to occupy your Living Unit is terminated as herein provided. You agree that no one other than you will occupy your Living Unit without our advance written consent. You do not need to obtain our consent for an occasional overnight guest who stays one week or less with you. No one who resides with you, whether with or without our consent, shall have any rights under this Contract, or any claim for care or services from us.
- b. Joint Occupancy. If this Contract is entered into by two individuals for joint residency of a single living unit, each joint resident is jointly and severally liable for the payment and performance of all obligations under this Contract. If one joint resident dies or abandons the Living Unit, the remaining resident shall continue to be obligated under this Contract, except that we will charge you the monthly Occupancy Fee for only one person.
- c. Marriage during Term of Contract. If you marry during the term of this Contract, the following shall apply:
 - i. Marriage to Another CCRC Contract Holder. If you marry someone who also is a resident of the Retirement Community under a CCRC contract with us, you may surrender either of the living units and choose to occupy one. If you surrender the living unit described in this Contract, refund of your Admission Fee will be governed by this Contract. If you choose to occupy the living unit described in this Contract, you will begin paying the Occupancy Charge for two occupants when your spouse moves into your Living Unit.
 - ii. Marriage to a Person Not a CCRC Contract Holder. If you marry someone who is not a resident of the Retirement Community under a CCRC contract with us, your spouse may become a resident of your Living Unit if your spouse 1) meets all the current requirements for admission to the type of Living Unit you occupy; 2) signs this contract and any amendments we deem necessary; and 3) pays an additional Admission Fee, the amount to be determined by the retirement community. If your spouse does not meet our requirements for admission or chooses not to become a CCRC contract holder with us, you may request that your spouse be permitted to occupy your unit. If we approve your spouse's occupancy, you will pay a second person Occupancy Charge for your spouse, but your spouse will have no rights under this contract and no claim for care, services or residency from us.
- d. Relocation to Another Independent Living Unit. We will consider your request to move from one living unit to another within Independent Living, and we reserve the exclusive right to determine, in our discretion, whether to permit such a move. A move to another living unit does not cause any change to the accrual period used to determine the refund amount to which you may be entitled upon

termination of this Contract. Such a move will not entitle you to any part of the accrual portion of your Admission Fee. You may be charged an additional Admission Fee equal to the difference between the then current Admission Fee for the new unit and the Admission Fee you paid for your Living Unit under this Contract. In addition, you may be charged an internal move fee pursuant to our internal move policy. You will be responsible for your cost of moving.

17. FACILITIES AND SERVICES PROVIDED BY RETIREMENT COMMUNITY.

- a. Physical Facilities. The Retirement Community consists of apartments, villas, and garden homes for Independent Living; apartments for Assisted Living; a Healthcare Facility; a Memory Care Facility; administrative and staff offices; recreational facilities; facilities for preparing and serving meals; and common activities facilities.
- b. Basic Services. The following basic services and expenses will be covered by your monthly Occupancy Charge:
 - i. Insurance. We carry fire and extended coverage insurance on our buildings and liability coverage for the Retirement Community. You are required to secure and are responsible for the cost of property and casualty and liability insurance for your personal belongings and other personal property located at the Retirement Community. We do not carry insurance on your personal property.
 - ii. Utilities. We furnish and pay for the cost of heat and electricity, air conditioning, cable television service, internet service, water and sewer services, and trash collection. You are responsible for the cost of installation of telephone service and the monthly charge for that service.
 - iii. Fixtures. We furnish your home with window blinds, an electric range, a built-in microwave, a refrigerator, and a garbage disposal. Shared washing machines and clothes dryers are available to Aldersgate and Brandenburg apartment units; washing machines, clothes dryers and dishwashers are standard in all other floor plans.
 - iv. General Maintenance of Common Areas and Grounds. We maintain all common areas and grounds.
 - v. Parking Spaces. You are entitled to the use of parking areas designated on the Retirement Community premises for resident and visitor parking. Two assigned spaces are provided with villas. Stockton apartments include one covered space; second vehicles are parked in non-exclusive parking spaces adjacent to the building. Residents living in all other apartments have access to non-exclusive parking in designated areas.
 - vi. Recreational, Social and Religious Activities. We provide recreational, physical, social, spiritual, educational and cultural activities as we determine in our discretion.

- vii. Emergency Response Assistance. Our emergency response staff is on call twenty-four hours a day for emergencies.
 - viii. Maintenance of Living Unit and Fixtures. We maintain the structural portion of your home and the fixtures described in Section 6.b.iii above. This maintenance does not include housekeeping or maintenance of your personal property.
 - ix. Transportation. We provide regularly scheduled group transportation to selected medical facilities, shopping malls and grocery stores. The schedule and locations may be adjusted, modified, and changed at our discretion.
 - x. Annual Cleaning. Our housekeeping staff will perform an annual cleaning of your home at no additional charge to you. Advance notice will be given for annual cleaning dates.
 - xi. Grace Days. We will use good faith efforts to make available each calendar year up to three days per independent living resident of temporary care in one of our facilities without additional occupancy charge to you. These grace days do not renew in the event of a long-term move to healthcare. These grace days shall not be cumulative or transferable to another resident, whether such resident is a party to this or another Contract. Please note that fees for services (including, but not limited to, salon, therapy, transportation, and pharmacy) used during a stay in health care will not be waived.
- c. Optional Services. We may make certain services available to you to purchase at your option on a fee-for-service basis. Fees for such services will be payable either at the time the service is rendered or upon billing by us, as we deem appropriate. Such optional services may be expanded or reduced in our sole discretion. Optional services currently include:
- i. Meal Service. Meal service is available at the Hearth Cafe on an à la carte basis. Meals are available at The Blue Heron Pub and The Terrace Restaurant in the Boland Center as posted.
 - ii. Housekeeping. Housekeeping services are available at rates established by Retirement Community.
 - iii. Transportation. Limited personal transportation service is available.
 - iv. Home Care. Private duty personal services are available and are provided by certified nursing assistants.
 - v. Rehabilitation. Speech Therapy, Occupational Therapy and Physical Therapy services are available in the Coble Healthcare Facility.
 - vi. Salon Services. A salon is located in the Coble Healthcare Facility and is available for use by residents of the Retirement Community.

18. MAINTENANCE OF LIVING UNIT.

a. Your Responsibilities. You agree:

- i. To keep your Living Unit clean, safe and sanitary at all times;
- ii. To dispose of all rubbish, garbage and other waste in a clean and safe manner and in a designated area;
- iii. To use in a proper and reasonable manner all electrical, plumbing, sanitary, heating, ventilating and other fixtures and appliances we furnish as a part of your Living Unit;
- iv. Not to destroy, deface, damage or remove any part of your Living Unit or permit others to do so;
- v. To obtain our approval before you make any modifications to your Living Unit; and
- vi. To be responsible for all damage to, defacement of or removal of our property and fixtures in your Living Unit, whatever the cause, except when caused by ordinary wear and tear, by an act of one of our agents, by a third party not your guest or invitee, or by natural causes.

b. Our Responsibilities. We agree:

- i. To comply with all building codes applicable to your Living Unit;
- ii. Except as stated above, to make all repairs and do whatever is necessary to maintain your Living Unit in a fit and habitable condition; and
- iii. To maintain in good and safe working order and, upon written notification from you of a need for repair, to repair promptly all electrical, plumbing, sanitary, heating, ventilating and other facilities and fixtures provided by us in your Living Unit.

19. RESIDENT ACCESS TO OTHER RETIREMENT COMMUNITY FACILITIES.

- a. Priority. You will have priority access over residents who have not entered into a CCRC contract with us and over nonresidents to available Assisted Living apartments and available beds in our Coble Healthcare and Memory Care Facilities.
- b. Additional Charges. If you temporarily move to another level of care at the Retirement Community, you agree to pay the charges established by us for the increased services and care available at that level of care, and to continue to pay the monthly Occupancy Charges for your Living Unit.
- c. Outside Care. We operate a home care agency for our residents so that you have a convenient source from which to hire additional personal care services to be provided in your home. You may not hire outside assistance with personal care in

your home if we are able to meet your needs for such care. If we are not able to meet your needs and you choose to hire outside care through an agency other than ours, you agree to comply with the requirements of our policy on outside employees.

20. TERMINATION AFTER INITIAL OCCUPANCY DATE.

- a. Termination by You after Initial Occupancy Date. After the Initial Occupancy Date you have the right to terminate this Contract at any time for any reason, by giving us at least thirty (30) days' written notice. In addition, this Contract will automatically terminate thirty (30) days after your death or abandonment of your Living Unit.
- b. Termination by Retirement Community After Initial Occupancy Date. After the Initial Occupancy Date we may terminate this Contract upon thirty (30) days' written notice to you for any of the following reasons: i) we determine, after consulting with a physician we select, that you pose a threat to yourself or to the health, safety or welfare of our other Residents; ii) you require care that we do not or cannot provide; iii) our Board of Directors determines, in its sole discretion, that you are not compatible with our other residents or that you are disruptive of the Retirement Community's environment; iv) you fail to pay the monthly Occupancy Charge for your Living Unit or charges for other services and facilities provided by us to you; v) you fail to comply with your commitment, under the terms of this Contract, not to shelter assets or otherwise arrange your financial affairs in a manner that would enable you to become eligible for a program or programs of public assistance such as Medicaid without having first obtained the written consent of our Chief Executive Officer; or vi) you fail to comply with the terms of this Contract or with our published rules, regulations and policies as amended from time to time.
- c. Your Obligations upon Termination of this Contract. If this Contract terminates under this Section 9 of the Contract, you agree that, within thirty (30) days after written notice of termination, you will remove (or in the event of your death, your legal representative within thirty days of your death will so remove) all of your personal property from your Living Unit and you will vacate the Living Unit, leaving it in the same condition as on the Initial Occupancy Date, except for normal wear and tear.
- d. Our Right to Remove and Dispose of Your Personal Property. We may remove any personal property that you do not remove from your Living Unit by the end of the thirty-day notice period. We may, but are not obligated to, pack and store any items we choose, and you agree to pay the actual cost for such packing and storage. You also agree that we are not responsible for any damage that occurs to your personal property remaining in your Living Unit after you have vacated the Living Unit. If you do not pay the packing/storage fee and do not retrieve your personal property within three (3) months of your last day of occupancy, we may dispose of the personal property in any manner we deem appropriate, and we shall not be liable to you or your heirs for such personal property or any proceeds from the sale of such personal property.

- e. Payment of Admission Fee Refund upon Termination of this Contract. Upon termination of this Contract after the Initial Occupancy Date, you shall be entitled to receive a refund of a portion of your admission fee. No part of the amount you paid us to make special changes or improvements to your Living Unit, as described on Exhibit 1.3 or in any amendment hereto, is refundable.

The refundable amount will consist of one-half of your admission fee. During the first two and one-half years following your Initial Occupancy Date ("912 Day Period"), 96% of the remaining half of your admission fee will decline ratably over that 912 Day Period.

The total amount of your refund will be calculated according to the following formula:

Amount of Refund in Dollars	=	50% of Admission + Fee	+ [($\frac{50\% \text{ of Admission Fee } \times 96\%}{912}$) X (912 MINUS Number of Days (Full or Partial) in your Accrual Period as calculated below)]
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Thus, the refund amount is equal to the sum of two components. The first component is a fixed amount equal to 50% of your admission fee. The second component is an amount that declines ratably over a 30-month period equal to 96% of the remaining 50% of your admission fee.

The refund shall be reduced by (i) any amounts that you owe to us, including but not limited to unpaid Occupancy Charges; (ii) any costs we incur to restore your Living Unit to its original condition, other than for normal wear and tear; (iii) any costs we incur to remove, store or dispose of personal property you leave in your Living Unit; and (iv) the amount of any financial assistance we have provided to you.

- i. Accrual Period. For purposes of calculating the refund payable to you under this provision of the Contract, the first day of your Accrual Period shall be the Initial Occupancy Date; the last day of your Accrual Period shall be the day on which you a) have ceased to be a resident of the Retirement Community in any level of care; b) have removed all of your personal property from the Living Unit (or from such other unit within the facilities of the Retirement Community as you occupied at the time you ceased to be a resident of the Retirement Community); and c) have delivered to us your keys to the Living Unit, thereby relinquishing your free access to the Living Unit. You and we recognize that the first thirty (30) days of your Accrual Period are subject to the provisions of the Section of this Contract entitled "Right to Rescind." Under no circumstances shall the accrual period exceed 912 days.

- ii. No Refund During Your Residency. No refund shall be paid when you continue to be a resident of the Retirement Community, whether in another unit or under a different level of care within the facilities of the Retirement Community.
- iii. No Interest on Refund. No interest shall be payable on the refund.
- iv. Timing of Payment of Refund. We will pay the refund amount to you within sixty (60) days after we collect a new Admission Fee for your Living Unit from a new resident or after you have ceased to be a resident of the Retirement Community, whichever shall later occur.

21. AGREEMENT TO SUBMIT DISPUTE TO MEDIATION OR ARBITRATION. You and we agree that in the event a dispute arises regarding your care or treatment or in the event you or we have any other claim or dispute, including any claim or dispute arising under this Contract or relating to the interpretation of this Contract but excluding any pricing disputes such as any dispute over adjustments of monthly or daily rates or other costs associated with resident services or care, any and all such claims or disputes shall first be submitted to a mediator for possible resolution, and if mediation is unsuccessful in resolving all aspects of the dispute, then the same shall be submitted to binding arbitration, as more specifically set forth herein. You and we understand that by agreeing to arbitration, both you and we are waiving the constitutional right to have any claim that we or you might have decided in a court of law before a judge and jury.

- a. Mediation. You and we agree that if you or your representative has a claim or dispute against us, you or your representative shall notify us in writing of the dispute and shall provide a description and factual details of the nature of the claim or dispute. You and we
 - i. May submit evidence or information in writing to a mediator, to be designated by the mutual agreement of you and us, in support of the claim or dispute and of any defense either of us may have to the claim. If you and we cannot agree on the designation of a mediator, each party shall select a mediator, and those two mediators shall then select a third mediator who will mediate the dispute. This selection of a mediator shall be binding upon both of us;
 - ii. Have the right to a hearing before the mediator, at which you and we may present evidence in support of or in defense of any such claim or dispute to the extent allowed by the mediator. The mediator will set the time and date of the hearing and assist each of us in an unbiased manner in attempting to reach an amicable settlement of the claim or dispute;
 - iii. Agree that the mediation shall be scheduled at a time convenient for you and us and shall be held in Alamance County, North Carolina;
 - iv. Agree that, if either of us refuses to negotiate or mediate in a good faith attempt to resolve the matter of concern, the mediator shall be required to note that fact in the mediator's conclusion to the mediation attempt;

- v. Agree that, in the event the parties are unable to reach an amicable settlement, we will then submit the dispute to a mandatory, binding arbitration consistent with the North Carolina Uniform Arbitration Act and the rules of the American Arbitration Association, as set forth below.
- b. ARBITRATION. You and we agree voluntarily to submit to binding arbitration any controversy, dispute or claim that remains unsettled after mediation in accordance with the following procedure:**
- i. **Any dispute or controversy not settled through the mediation process outlined above shall be submitted to, and determined and settled by, binding arbitration in Alamance County, North Carolina, in accordance with the North Carolina Uniform Arbitration Act and the rules of the American Arbitration Association.**
 - ii. **You and we shall mutually select and retain the services of an arbitrator or arbitration company (hereinafter "arbitrator"). If you and we are unable to agree to the selection of an arbitrator, then each of us shall choose an arbitrator, and the two arbitrators shall in turn choose an arbitrator mutually agreeable to said two arbitrators. The third arbitrator so chosen shall be the arbitrator that you and we retain to settle our claim or dispute, and the choice of said arbitrator shall be binding upon both of us.**
 - iii. **The costs and expenses (including reasonable attorneys' fees) in connection with the arbitration shall be allocated between you and us in the manner that the Arbitrator decides to be fair and appropriate under the circumstances.**

The decision of the Arbitrator shall be final, shall not be appealable and shall not be stayed, and judgment upon such decision may be entered in any court of competent jurisdiction. Application may be made to such court for confirmation of such decision or a judicial acceptance thereof, or for an order of enforcement or other legal remedy which may be necessary to effectuate such decision. This clause goes to the very essence of this stipulation. However, in the event the party against whom the decision is made shall appeal from any such decision or file or cause to be filed a complaint with any state court after the issuance of the arbitrator's findings, then the appellant or claimant agrees, without question, to pay and be responsible for paying any and all court costs, attorney fees, and any other cost incurred by the nonclaimant or appellee (party not initiating the Court action) in participating in such litigation.

BY AGREEING TO THIS PROVISION, YOU WAIVE YOUR CONSTITUTIONAL RIGHT TO A JURY TRIAL. However, this agreement to arbitrate shall not limit your right to file a grievance or complaint,

formal or informal, with Retirement Community or any appropriate state or federal agency.

The parties agree that damages awarded, if any, in an arbitration conducted pursuant to this Section 10 shall be determined in accordance with the provisions of the state or federal law applicable to a comparable civil action, including any prerequisites to, credit against, or limitations on, such damages.

It is the intention of the parties to this Contract that the provisions of this Section 10 shall inure to the benefit of and bind the parties, their successors and assigns, including the agents, employees and servants of Retirement Community, and all persons whose claims are derived through or on your behalf, including that of any parent, spouse, child, guardian, executor, administrator, legal representative, or heir.

All claims based in whole or in part on the same incident, transaction, or related course of care or services provided by Retirement Community to you shall be arbitrated in one proceeding. A claim shall be waived and forever barred if it arose prior to the date upon which notice of arbitration is given to Retirement Community or received by you and is not presented in the arbitration proceeding.

22. REPRESENTATIONS AND FURTHER AGREEMENTS BY YOU.

- a. Health and Financial Information Material Part of Contract. You acknowledge that the medical, personal, and financial information you submitted as part of your application with us is a material part of this Contract, and that we have relied upon that information in determining your ability to meet the financial obligations of residency in the Retirement Community.
- b. Prohibition against Medicaid Planning and Other Asset Protection Planning Strategies. We must protect ourselves and our residents against the risk to the financial strength of the Retirement Community that could be caused by a resident engaging in financial planning designed to protect that resident's financial resources against the cost of medical care for that resident or that resident's spouse ("Medicaid Planning"). Medicaid Planning includes, but is not limited to, the making of gifts; the funding of trusts; the investment in or purchase of assets that are deemed not to count as resources for purposes of determining one's eligibility for government programs such as Medicaid; and engaging in other strategies designed to enable the resident to become eligible for financial assistance from government programs before the resident has exhausted the resident's resources in paying for the resident's normal living expenses and the resident's medical care. As a material and express condition of this Contract, you agree not to engage in Medicaid Planning without having first obtained the written consent of the Chief Executive Officer of Retirement Community. Furthermore,

pursuant to Section 1396ra(c)(5)(B)(V) of Chapter 42 of the United States Code, a material and express condition of this Contract is your agreement not to seek assistance from Medicaid with the cost of your care until you have exhausted, through payment for your health, maintenance and support, the financial resources set forth on your application for admission to Twin Lakes Community.

In the event of any material misrepresentation in or omission from your application for admission to the Retirement Community, or in the event that you violate the prohibition against Medicaid Planning, we may terminate this Contract and the termination and refund provisions in this Contract then apply.

- i. Obligation to Update Health and Financial Information. You agree to provide such additional health and financial information as we may request during the term of this Contract. You agree to notify us if you learn that you have a communicable disease. Accordingly, you also agree to authorize the release of all medical information to us at any time we request such information, and you have executed such an authorization coincident with the execution of this Contract. In addition, you agree to furnish a full and accurate financial statement of assets, liabilities, and income and shall authorize the release of all financial information of third parties to us at any time we may so request. You also authorize us to release such health and financial information to third parties (i) who provide financial assistance to you or (ii) to whom you have applied for assistance, including but not limited to, the Department of Social Services, the Social Security Administration, the Division of Medical Assistance, other organizations involved in the administration of Medicare and Medicaid, and health insurance companies. You also authorize us to communicate with such programs or companies and them with us concerning your application and eligibility. You have executed such an authorization coincident with the execution of this Contract.
- j. Medical Insurance. You agree to maintain Medicare Part A and Medicare Part B, or equivalent insurance coverage acceptable to us, with evidence of such coverage upon request.
- k. Emergency Transportation. In the case of an emergency, you authorize us to arrange for transportation by an emergency services provider that we choose in our discretion. You agree to pay the cost of the emergency services provider.
- l. Other Health Costs. You agree to pay the cost, if any, for services of consultants and other services and supplies not included in this Contract when expressly ordered by your physician or requested by you or your family. In the event of a health emergency, you agree to pay for additional charges in excess of the monthly Occupancy Charge for special services or supplies that we, in our discretion, deem reasonable or necessary.
- m. Reasonable Care. We agree to exercise such reasonable care toward you as your known condition may require. However, we are in no sense an insurer of your safety or welfare and assume no liability for such.

- n. Move to Another Level of Care. We may affect your move to another living unit in Independent Living or another level of care within the facilities of the Retirement Community. The decision to effect such a move will be in our sole discretion and will be binding on you; the decision will be made, however, only after consulting with you, and when we deem it appropriate, with your family, physician, or designee.
- i. Valuables. Neither we nor our employees are responsible for any valuables or money in your possession. We accept full responsibility for valuables and money turned over to us for safekeeping.
- y. Rules and Regulations. You agree to abide by all rules and regulations in effect from time to time and applicable to residents of the Retirement Community.
- z. Tobacco Free Campus. Twin Lakes Community is a tobacco-free campus. The use of tobacco products is strictly prohibited on our campus, including within private residences on our campus. You agree to adhere to, and to ensure that any guests of yours adhere to, our tobacco-free policy, and to any modifications to the policy.
- aa. Pets. You agree that, without our prior written consent, you will not keep or maintain either temporarily or permanently any dogs, cats or other animals or pets, except for fish or small birds in appropriate containers.
- bb. Non-Assignment. Your rights and privileges under this Contract are personal to you and cannot be transferred or assigned to any other person voluntarily or by execution of law. No person other than you may occupy your Living Unit except with our prior written approval.
- cc. Additional Obligations. In addition to the other obligations under this Contract, you agree:
 - i. To absolve and release us and our employees of any responsibility for any event, accident or deterioration of medical condition while you are away from the premises of the Retirement Community and not under the direct care and supervision of our staff.
 - ii. To pay and indemnify us for all costs we incur, including reasonable attorney's fees, if you fail to pay any amount due us under the terms of the Contract, or if you breach any other terms of this Contract.
 - iii. If you are injured by a third party, you agree that we shall be subrogated to your rights to recover from such third party the costs and expenses incurred by reason of such injuries, and you authorize us to take all necessary steps to enforce the payment of such costs and expenses by the responsible third party.
 - iv. You agree to pay or reimburse us for any loss or damage we suffer as a result of the negligence or misconduct of you or your guest or invitee. We

assume no responsibility for any injury or illness you suffer as a result of the negligence or intentional misconduct of any third party.

- dd. Nature of Your Rights. Your rights under this Contract are the rights and privileges herein expressly granted and do not include any proprietary interest or membership in the Retirement Community.
- ee. Obligations Divisible. If a portion of this Contract shall be determined to be illegal or unenforceable or not in conformity with applicable laws and regulations, the remainder of this Contract shall continue in full force and effect.
- ff. Disclosure Statement. You hereby acknowledge that you have received a copy of our current disclosure statement. In the event of any discrepancy between the language contained in this Contract and the language contained in the disclosure statement, the language of this Contract shall control. You further acknowledge that, prior to the execution of this Contract, you have transferred to us no money or other property except for your deposit money.
- gg. Successors and Assigns. This Contract shall be binding upon, inure to the benefit of, and be enforceable by, Lutheran Retirement Ministries of Alamance County, North Carolina d/b/a Twin Lakes Community, its successors and assigns.
- hh. Transfer to Another Level of Care. If you transfer to another level of care at the Retirement Community, you agree to enter into an addendum agreement at that time specific to the new level of care. The Addendum will contain terms and occupancy rates consistent with the terms and rates then offered by us to other residents for that level of care.
- ii. Evaluation by a Physician. You agree to permit a physician selected by Retirement Community to evaluate you should we believe, in our sole discretion, that you may pose a threat to yourself or to the health, safety or welfare of our other residents or that you require care that we do not or cannot provide.
- jj. Site Plans. All structures and improvements not constructed as of the date of this Contract but shown on a site plan or in advertising or promotional material for the Retirement Community are solely for the illustrative purposes of showing the proposed development of the Retirement Community, and we are under no obligation to you to complete such structures or improvements.
- kk. Entire Contract. This Contract constitutes the entire agreement between you and us. We are not liable for or bound in any manner by any statements, representations or promises made by any person representing or purporting to represent us unless such statements, representations or promises are set forth in this Contract.
- ll. Governing Law. This Contract shall be governed by and interpreted in accordance with the law of the State of North Carolina and any applicable federal laws.

mm. Amendments Only in Writing. This Contract may only be amended or changed in writing by all parties to the Contract and in accordance with any applicable laws governing the Contract. This Contract replaces any prior contracts between the parties.

LUTHERAN RETIREMENT MINISTRIES
OF ALAMANCE COUNTY, NORTH CAROLINA,
d/b/a/ TWIN LAKES COMMUNITY

_____ (SEAL)

Pamela S. Fox, President / CEO

_____ (SEAL)

Resident Name

_____ (SEAL)

Resident Name

**LUTHERAN RETIREMENT MINISTRIES
OF ALAMANCE COUNTY, NORTH CAROLINA**

d/b/a

TWIN LAKES COMMUNITY

DISCLOSURE STATEMENT

ATTACHMENT 5

INTERIM FINANCIAL STATEMENT

Balance Sheet

Twin Lakes Community (TL)

As Of 12/31/2023

ASSETS	Dec-23	Dec-22
CURRENT ASSETS		
CASH AND INVESTMENTS - Unrestricted	26,750,490	25,213,660
CASH AND INVESTMENTS - Restricted	13,249,155	12,736,110
RESIDENT RECEIVABLES	1,481,560	1,267,145
OTHER RECEIVABLES	5,733,694	173,953
INVENTORY	369,027	383,039
PREPAID EXPENSES	77,492	88,214
TOTAL CURRENT ASSETS	47,661,419	39,862,120
NON-CURRENT ASSETS		
FIXED ASSETS	164,021,823	152,102,458
OTHER NONCURRENT ASSETS	1,565,250	1,645,573
TOTAL NON-CURRENT ASSETS	165,587,073	153,748,030
TOTAL ASSETS	213,248,492	193,610,151

LIABILITIES AND EQUITY		
LIABILITIES		
CURRENT LIABILITIES		
ACCOUNTS PAYABLE & ACCRUALS	4,547,028	4,795,136
ACCRUED DERIVATIVE LIABILITY	(4,290,481)	(1,428,910)
TOTAL CURRENT LIABILITIES	256,547	3,366,226
LONG TERM LIABILITIES		
BONDS PAYABLE	84,379,514	68,738,156
OTHER LONG TERM LIABILITIES	65,254,721	64,556,840
TOTAL LONG TERM LIABILITIES	149,634,235	133,294,997
TOTAL LIABILITIES	149,890,782	136,661,223
FUND BALANCE		
TOTAL FUND BALANCE	63,357,710	56,948,928
TOTAL LIABILITIES AND EQUITY	213,248,492	193,610,151

Statement of Operations

Twin Lakes Community (TL)

12/1/23 to 12/31/23

Account	Current Period Actual	Current Period Budget	Current Period Variance	YTD Actual	YTD Budget	YTD Variance	2022 YTD
REVENUE							
NURSING	1,048,518	1,057,133	(8,615)	3,138,391	3,171,400	(33,009)	3,056,974
MEMORY CARE	317,136	288,967	28,169	913,050	866,900	46,150	864,232
ASSISTED LIVING	194,586	216,867	(22,281)	587,797	650,600	(62,803)	564,284
HOME CARE AGENCY	48,646	50,667	(2,021)	157,175	152,000	5,175	109,830
INDEPENDENT LIVING	1,298,380	1,305,233	(6,853)	3,890,427	3,915,700	(25,273)	3,629,479
ANCILLARIES	149,447	145,708	3,739	467,455	437,125	30,330	361,322
MEALS	46,794	43,500	3,294	147,201	130,500	16,701	110,200
INVESTMENT INCOME	123,878	40,833	83,045	297,149	122,500	174,649	105,274
OTHER	76,954	63,583	13,370	239,522	190,750	48,772	227,979
CONTRACTUAL ADJUSTMENTS	(150,675)	(142,183)	(8,491)	(337,958)	(426,550)	88,592	(311,343)
TOTAL REVENUE	3,153,665	3,070,308	83,356	9,500,209	9,210,925	289,284	8,718,231
EXPENSES							
NURSING SALARIES	690,925	626,042	64,883	2,011,952	1,878,125	133,827	1,826,420
REGULAR SALARIES	876,011	820,533	55,478	2,542,081	2,461,600	80,481	2,368,307
THERAPIST & CONTRACT	106,790	124,200	(17,410)	340,894	372,600	(31,706)	272,831
BENEFITS	319,097	370,300	(51,203)	996,159	1,110,900	(114,741)	1,076,532
SUPPLIES	205,224	224,442	(19,217)	565,380	673,325	(107,945)	580,296
FOOD	72,285	108,017	(35,732)	284,250	324,050	(39,800)	312,932
EDUCATION/TRAVEL	4,630	11,467	(6,837)	19,087	34,400	(15,313)	14,820
MAINTENANCE REPAIR/CONTRACT	19,812	46,200	(26,388)	160,976	138,600	22,376	118,295
UTILITIES	100,513	159,667	(59,154)	461,054	479,000	(17,946)	429,240
INSURANCE	95,667	51,667	44,000	259,001	155,000	104,001	149,250
LEGAL/ACCOUNTING	757	9,917	(9,160)	27,757	29,750	(1,993)	38,894
INTEREST	217,141	252,317	(35,175)	657,957	756,950	(98,993)	671,750
BOND PRINCIPAL	119,583	119,583	-	358,750	358,750	-	346,250
OTHER EXPENSES	46,943	99,275	(52,332)	207,674	297,825	(90,151)	266,556
CONTRIBUTIONS	29,125	4,667	24,458	30,471	14,000	16,471	31,879
PROPERTY TAX	264	458	(194)	945	1,375	(430)	377
CAPITAL EXPENDITURES	2,915	11,000	(8,085)	56,195	33,000	23,195	57,931
TOTAL EXPENSES	2,907,682	3,039,750	(132,068)	8,980,583	9,119,250	(138,667)	8,562,559
NET INCOME(LOSS)	245,983	30,558	215,424	519,626	91,675	427,951	155,672
Admission Fees Earned	Full Accrual Basis Add/(Less):			1,275,000			1,250,000
Bond Principal				358,750			346,250
Equipment Purchases				56,195			57,931
Investments Market Value				1,006,304			908,303
Restricted Donations Received				44,740			97,669
Depreciation				(2,300,000)			(2,150,000)
Health Insurance Claims				(14,706)			96,775
Transfer from Resident Assistance				(15,000)			(15,000)
Operating Income(Loss) - Full Accrual Basis				930,909			747,600

Cash Flow Statement
Twin Lakes Community (TL)
For the Three Months Ended December 31, 2023

	2023	2022
Operating Cash Flows		
Residents & 3rd parties received	8,973,043	8,258,026
Investment income/(loss)	1,317,842	1,031,156
Donations received	126,888	161,186
Cash paid to suppliers and employees	(10,735,115)	(8,279,412)
Interest paid and related fees	(657,957)	(671,750)
Net Cash Provided/(Used) by Operating Activities	(975,300)	499,206
Investing Cash Flows		
Net proceeds/(purchases) of marketable securities	(1,185,078)	(1,013,796)
(Acquisition)/Disposal of property and equipment	(5,348,081)	1,179,696
Net Cash Provided/(Used) by Investing Activities	(6,533,159)	165,900
Financing Cash Flows		
Bond issuance costs	-	(693,477)
Bond proceeds/(payments) of long-term debt	8,066,917	818,577
Admission fees received	763,441	1,662,928
Net Cash Provided/(Used) by Financing Activities	8,830,358	1,788,028
Net increase/(decrease) in cash and cash equivalents	1,321,899	2,453,135
Cash and Cash Equivalents - Oct 1st	21,461,357	19,729,160
Cash and Cash Equivalents - Current	22,783,257	22,182,294
Investments - Marketable Securities		
Investment-Ziegler Link-Age Fund	147,242	119,573
Investment-Operating Reserve	9,385,957	8,596,335
Investment-Debt Service	4,967,654	4,549,947
Investment-Capital Reserve	3,721,840	3,409,923
Unrecorded Appreciation	(1,006,304)	(908,303)
Cash and Investments - Balance Sheet	39,999,646	37,949,771