



Aldersgate
United Methodist Retirement Community, Inc.
3800 Shamrock Drive
Charlotte, North Carolina
28215-3220
704-532-7000

DISCLOSURE STATEMENT

June 1, 2019

**IN ACCORDANCE WITH CHAPTER 58, ARTICLE 64 OF THE NORTH
CAROLINA GENERAL STATUTES:**

- **This Disclosure Statement may be delivered until revised, but not after October 26, 2020.**
- **Delivery of this Disclosure Statement to a contracting party before execution of a contract for continuing care is required.**
- **The Disclosure Statement has not been reviewed or approved by a government agency or representative to ensure accuracy or completeness of the information set out.**

TABLE OF CONTENTS

Organization Introduction and Information

Narrative Description of the Organization, Nonprofit Status and Affiliation.....	3
Accreditation	4

Facility Introduction and Information

Narrative Description of the Facility and its Operation	4
Identification/Background of Board of Directors and Management Staff.....	7
Criminal Violation Statement.....	10
Location and Description of Physical Property.....	10
Estimated Number of Residents.....	10

Policies

Admission

Contract Options	11
Health Requirements	11
Financial and Insurance Criteria	12
Age Requirements.....	13
Termination of Membership/Cancellation/Refund.....	13
Change of Accommodations	17
Marriages.....	18
Inability to Pay.....	19
Lease Option.....	19

Services

Standard Services & Services Available at Extra Charge.....	19
Health Care Services.....	20

Fees

Reservation Fee.....	22
Entrance Fee & Monthly Fee, Notification of Fee Increase	22
Changes in Fees for the Previous Five Years	28

Financial Information

Financial Overview Statement	28
Reserves, Escrow & Trusts	29
Variance Between Forecasted and Actual Activity	30

This Disclosure Statement is provided in compliance with the requirements of Chapter 58, Article 64 of the General Statutes of North Carolina. Its purpose is to give prospective residents, their families and their advisors, facts about Aldersgate United Methodist Retirement Community, Inc. and the people who operate it.

ORGANIZATION INTRODUCTION AND INFORMATION

Narrative Description of the Organization, Nonprofit Status and Affiliations

The name of this organization is Aldersgate United Methodist Retirement Community, Inc., herein generally referred to as “Aldersgate” or the “Community”. Aldersgate’s business address is 3800 Shamrock Drive, Charlotte, North Carolina 28215-3220. Aldersgate is a North Carolina nonprofit corporation, and it is exempt from the payment of federal income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended (the “Code”). Aldersgate is a Continuing Care Retirement Community (CCRC). The term Life Plan Community, which may be used in our marketing materials, is interchangeable with CCRC.

Aldersgate is affiliated with the Western North Carolina Conference of the United Methodist Church (the “Conference”). The extent of the affiliation between Aldersgate and the Conference is set out in a Statement of Relationship executed by them, and a copy of that Statement is available, without charge, upon request to Aldersgate.

In addition, Aldersgate is affiliated with Aldersgate Life Plan Services, Inc. (“Parent”), the sole member of Aldersgate. Parent is a North Carolina nonprofit corporation and is recognized by Internal Revenue Service (the “IRS”) as exempt from the payment of federal income taxes under Section 501(c)(3) of the Code. Parent does not have any members and is governed by its Board of Directors. Parent elects the Board of Directors of Aldersgate, and the Board of Directors is confirmed by the Conference. Currently, the members of the Board of Directors of Parent are also the members of the Board of Directors of Aldersgate. Also, certain actions of the Board of Directors of Aldersgate require the consent of Parent, as more fully described in Aldersgate’s bylaws.

Parent is also the sole member of Aldersgate at Home, Inc. (“Home Services”), a North Carolina nonprofit corporation, of Aldersgate at Sharon, Inc. (“Sharon”), a North Carolina nonprofit corporation, of Aldersgate at Shalom Park, Inc. (“Shalom Park”) a North Carolina nonprofit corporation and of Aldersgate Foundation, Inc. (“Foundation”) a North Carolina nonprofit corporation. Home Services, Sharon, and Shalom Park have been recognized by the IRS as exempt from the payment of federal income taxes under Section 501(c)(3) of the Code. The Foundation is currently preparing documents to submit to the IRS for exemption. The Board of Directors of each of Home Services and Sharon is elected by Parent. Currently, the members of the Board of Directors of Parent are also the members of the Board of Directors of Home Services and the Board of Directors of Sharon. Also, certain actions of the Board of Directors of Home Services and the Board of Directors of Sharon require the consent of Parent, as more fully described in each of their bylaws. Effective April 1, 2018, upon receipt of all necessary regulatory and legally required approvals, the assets (including all related licenses and permits) and liabilities associated with Home Services and previously provided by Aldersgate, were transferred to Home Services.

Aldersgate is the sole member of Aldersgate Holdings, Inc., a North Carolina nonprofit corporation (“Holdings”). Holdings is exempt from federal income taxation under Section 501(c)(2) of the Code. The members of the Board of Directors of Aldersgate also serve as the members of the Board of Directors of Holdings. Certain actions of the Board of Directors of Holdings require the consent of Parent, as more fully described in Holdings’ bylaws.

None of the entities affiliated with Aldersgate, including the Conference, Parent, Home Care Services, Sharon, Shalom Park, and Holdings, are responsible for the financial and contractual obligations of Aldersgate.

Aldersgate is currently working on its application for the North Carolina Department of Insurance’s continuing care at home program without lodging pursuant to Chapter 64 Article 58 Paragraph 7.

Accreditation

Aldersgate is licensed as a continuing care retirement facility by the North Carolina Department of Insurance. In 2016, Aldersgate achieved CARF and EAGLE accreditation. By achieving CARF and EAGLE accreditation, Aldersgate is held to higher standards than the state minimum. These accreditations allow Aldersgate to share and spotlight best practices in the industry. CARF is an independent, nonprofit organization focused on advancing the quality of services providers use to meet their needs for the best possible outcomes. Aldersgate continues to operate according to CARF standards and seeks to continually hold this certification.

The purpose of EAGLE is to provide a voluntary program utilizing principles and goals that promotes, pursues, and recognizes excellence in the holistic, Christian mission and ministry of an organization.

FACILITY INTRODUCTION AND INFORMATION

Narrative Description of the Facility and its Operation

Aldersgate is comprised of several named facilities - Epworth Place, Ray Hall Community Center, Francis Residential Building, Azalea View Cottages, Lake Ridge Cottages, Wesley Glen Executive Homes, Magnolia View apartments, Lake View villas, Park View villas, Parker Terrace Assisted Living, Cuthbertson Village Memory Support Center (“Cuthbertson Village”), and Asbury Health and Rehabilitation. Aldersgate offers both informal market café dining, including a standalone coffee shop as well as a more formal dining atmosphere. Our Wellness Program includes instructor-led exercise classes, yoga classes, Tai Chi, a compliment of weight bearing machines, free weights, recumbent and upright bikes, ellipticals and treadmills.

Epworth Place

Epworth Place is an eight-story congregate living facility with 128 accommodations, including Parker Terrace Assisted Living. Epworth Place is attached to The Commons, allowing easy access to several food venues.

Parker Terrace

Parker Terrace is a 47 bed assisted living community located on the second and third floor of

Epworth Tower. Parker Terrace is an ideal location for residents who need some assistance but are able to maintain much of their daily independence. The community offers private pay one bedroom and studio apartments with personal bathrooms including walk in showers. Residents of Parker Terrace have access to a private dining room, four large covered patios, two living rooms, as well as dedicated life enrichment entertainment including animal therapy, chair yoga, and performers. Residents are also able to enjoy meals at the Market Café, Gatehouse Dining, The Rose and The Ivy Pub, and formal dining in the Sunroom. Parker Terrace residents enjoy all common areas as well as services such as Aldersgate's Salon and Spa.

Ray Hall Community Center

Ray Hall Community Center ("RHCC") includes a chapel/multi-purpose center, wellness facility with exercise room and aquatic center featuring instructor led water conditioning classes and free swim, therapy suites, and an elegant two-story living room with a fireplace and balcony overlook. The architectural style reminds residents of a grand brick country home with an expansive front veranda and arched windows. The overall plan is designed around a courtyard focusing resident activity spaces on a garden containing plantings, walking paths and shaded seating areas. RHCC underwent an update in early 2018 including updated carpet, paint and door facades. Areas previously utilized for the library and trading post were repurposed to an ice cream parlor, multipurpose meeting room, and resident technology room. Renovation also included a new creative arts wing and resident council meeting space.

The Commons

The Commons area serves the entire Community and includes a market café dining venue, salon and spa, activity and media rooms, outdoor terrace, bocce ball court, executive and marketing office, main reception area, a coffee, pastry and sandwich bar, scooter parking alcoves, trading post, a two-story winter garden gathering space with stone fireplace, a pub, card and billiard room, reading room, and pavilion bar. Open and bright, the areas are the entryway to common areas with views of the apartment and villa expansion and surrounding green space and gardens.

Francis Residential Building

A three-story apartment building with 74 residences is located adjacent to the community building utilizing brick details and patterns similar to craftsmanship employed during the early 1900s. The exterior facade is conceived by projecting window bays with dormers and shaded balconies.

Azalea View Cottages

There are 33 individual houses (referred to as cottages). Azalea View is our first cottage neighborhood with homes built over the course of a few decades. Each Azalea View cottage has its own character and charm.

Lake Ridge Cottages

There are 16 individual houses (referred to as cottages) on the east side of the lake. Floor plans range in size from 1,598 to 1,867 square feet and typically have two bedrooms, two baths, living room, kitchen, den and 1 or 2 car garages.

Wesley Glen Executive Homes

The Wesley Glen Executive Home community is on the east side of the campus. The four

standard floor plans of these homes range in square footage from 1,650 square feet to 2,340 square feet. They are freestanding, two- and three-bedroom homes with options such as fireplaces, sunrooms and vaulted ceilings. Master bedrooms offer large walk-in closets and tray ceilings and all homes have decks or patios and a two- car garage with additional storage. This community was originally approved to include fifty (50) homes, forty-two (42) of which are completed. Site plan reviews are currently being conducted with the intent to construct eight (8) new cottages.

Magnolia View Apartments

The Magnolia View Apartments are located near the entrance to The Commons, overlooking a greenway linear park between it and Lake View and Park View . The largest of our Gateway Promise Expansion for independent living, Magnolia View has 38 apartments consisting of 7 different floorplans. The apartments range in size from 851 square feet to 1456 square feet. Each apartment features at least one balcony or patio, quartz countertops and stainless appliances, and range from 1 bedroom, 1.5 bath to 2 bedrooms, 2 full baths. Residents enjoy a common area sunroom with full kitchen available for their usage. Parking is below ground with additional spaces on the perimeter of the building.

Lake View Villas and Park View Villas

Lake View Villas and Park View Villas contain 12 residences each across 3 floors with 4 different floorplan options. Lake View and Park View are situated next to each other across the greenway linear park from Magnolia Building. Villas range in size from 985 square feet to 1475 square feet with some offering the option for fireplaces. All finishes coordinate with Gateway Promise Expansion apartments in Magnolia Building and are adjacent to The Commons.

Cuthbertson Village Memory Support

Cuthbertson Village is a sixty-one (61) room special care facility for residents experiencing dementia and memory loss. The building is divided into four (4) clustered "neighborhoods" which includes three neighborhoods of fifteen (15) rooms and one neighborhood of sixteen (16) rooms. Each neighborhood shares a country kitchen, a living room, a family room, a laundry room, and an activity room. The four clustered neighborhoods are connected to the newly renovated Town Center, which includes a movie theater, multi-purpose rooms, beauty salon and barber shop, satellite kitchen, outdoor garden courtyard, and renovated entrances.

Asbury Health and Rehabilitation Center

Asbury Health and Rehabilitation Center is a 120-bed licensed nursing care facility of which 100 beds are Medicare certified and 20 beds are dually certified for Medicare and Medicaid. Asbury Health and Rehabilitation Center offers only private rooms. It contains support facilities such as a chapel, kitchen, beauty/barber shop, special medical offices for dentist, podiatrist, and a full range of therapy services is offered. It also offers community living areas, activity rooms and craft facilities. Asbury also includes 5 assisted living beds. Onsite dialysis wing is operated by Fresenius Kidney Care. Hospice care at Asbury, entitled the Levine & Dickson House at Aldersgate, is operated by Hospice and Palliative Care of Charlotte. With a capacity of 6 residents, amenities include comfortable patient rooms with private bathrooms, a spacious family room, chapel, landscaped garden, and family kitchen stocked with snacks.

Identification & Background of Board of Directors and Management Staff

The names and business addresses of the members of the Board of Directors of Aldersgate are listed below. Officers and Directors serve as volunteers and may have no professional experience in the operation and management of facilities similar to Aldersgate.

No officer or any member of the Board of Directors has an interest of ten percent or more in any professional service firm, association, trust, partnership or corporation that may currently serve as a provider of goods or services to Aldersgate or its residents at an aggregate value of more than five hundred dollars within any year. No professional service firm, association, trust or partnership, or corporation has 10% or greater interest in any officer or board member that will provide services of \$500 or more to Aldersgate or its residents. This would include a person employed by a company that provided services to Aldersgate or residents.

Board of Directors

Christopher W. Davis, 130 Harbour Place Drive, Ste 200, Davidson NC 28036. Managing Director, Davidson Wealth Management.

Patricia G. Garrett, *Secretary*, 301J Mandalay Court, Surf City, NC 28445. Retired

Richard (Jerry) Gaudet, 3800 Shamrock Dr, Charlotte, NC 28215. Resident.

David J. Guilford, 2210 Roswell Ave., #103, Charlotte NC 28207. Owner, DLG Associates.

Martha D. Jones, 3800 Shamrock Dr, Charlotte, NC 28215, Resident.

Thomas R. Lawing, Jr., 2609 Valencia Terrace, Charlotte NC 28226. Realtor, T. R. Lawing Realty.

Fred Longietti, 6604 Marcella Drive, Charlotte, NC 28277. Owner, Carolinas Net Care.

Billy Maddalon, 2301 Belvedere Ave, Charlotte, NC 28205. Founder/Owner, Unique Southern Estates.

Kevin McKane, 11327 McClure Manor Drive, Charlotte, NC 28277. Financial Director, Wells Fargo.

Blake Morris, 311 Sardis Pointe Road, Matthews NC 28105. NewBridge Bank

William K. Springs, *Vice-Chair* 2724 Shady Reach Lane, Charlotte, NC 28214. Vice-President, Wells Fargo.

Dr. Robert Dee Vaughn Jr., 12530 Preservation Pointe Drive, Charlotte, NC 28216. Retired Board Certified General Surgeon, working as Locum Tenens General Surgeon.

Irene Vogelsong, 1600 Gupton Court, Matthews, NC 28105. Director of Interior Design, Perkins+Will.

Stanley Watkins, 11023 Tavernay Parkway, Charlotte, NC 28262. Principal of City Strata Consulting.

Mary Wilson, *Chair*, 4912 Piper Glen Drive, Charlotte, NC 28277. Licensed Attorney at Law with a Masters in Christian Leadership.

Residents, elected by the Resident Association, are represented on the Board of Directors and all operating committees of the Board.

Management Staff

Suzanne Hodge Pugh, NHA, ALA, CMP – President and Chief Executive Officer has been on staff at Aldersgate for 22 years. Ms. Pugh served as the Director of Marketing for over ten (10) years and then received her Nursing Home Administrator's license and her certification as an Assisted Living Administrator and was named the Chief Operating Officer. In 2011, Ms. Pugh became President and CEO and continues to serve in that role today. Ms. Pugh is a 2012 alumnus of the LeadingAge Leadership Academy and serves as Vice-Chair on the Board of Directors for LeadingAge North Carolina. She serves on the Board of the United Methodist Association, as well as on the board member for Charlotte Will, a non-profit dedicated to raising awareness around poverty and socioeconomic mobility in the Charlotte area. She enjoys spending time with family and loves to mountain bike, kayak and fish with her son, Wyatt.

Jeff Weatherhead – Chief Operating Officer has been the Chief Operating Officer and Healthcare Administrator since 2014. Within this position, Mr. Weatherhead serves as the Healthcare Administrator for the skilled nursing and assisted living areas, in addition to overseeing the Culinary Department, Life Enrichment Department, Resident and Family Services, Beauty Shop, Chaplain Services, Physician Services, Facility Services, Security, Housekeeping and Resident Clinic for the community. Mr. Weatherhead has over twenty years' experience in the senior living field working in Ohio and Florida prior to moving to North Carolina. His career in senior living has been exclusively with not-for-profit and faith-based organizations. He is a licensed nursing home administrator in North Carolina. Mr. Weatherhead attained a Bachelor of Arts in Interpersonal and Public Communication from Bowling Green State University and a Master of Health Services Administration degree from Xavier University.

Michael J. Sulhan - Chief Financial Officer joined Aldersgate in March 2016. Prior to joining Aldersgate, he worked as the Chief Financial Officer and Treasurer of the Clemson University Foundation (2012-2016). He has healthcare experience, for profit experience, and has owned and operated his own company through his time as Treasury Manager of Children's Hospital and Health System of WI, Treasury Analyst for Miller Brewing when the merger with Coors formed MillerCoors LLC, owner of Mek-Elek Inc., and a management training program with FirstEnergy Corp. Michael received a bachelor's degree in banking and finance from Case Western Reserve University, a master's degree in Business Administration from Marquette University, and is a Certified Treasury Professional.

M. Kathlene Hendrick – Director of Human Resources has been on staff since 2000. Ms. Hendrick began her career in the Finance Department but recognized her desire to work with the employees of Aldersgate and subsequently transferred to the Human Resources department in 2003. Ms. Hendrick became the Director of Human Resources in 2010. Prior to joining Aldersgate, Ms. Hendrick worked for five (5) years with Sterling Capital Management as a customer service representative with the N.C. Capital Management Trust Fund. Ms. Hendrick's background includes more than ten (10) years of experience in recruitment, human resource management, training and development, compensation, and labor and employee relations. Ms. Hendrick has a bachelor's degree in Business Administration from Montreat College and is currently studying to take the Senior Professional of Human Resources exam.

Yvette Porterfield – Chief Nursing Officer has been on staff since 1978. Ms. Porterfield became the Director of Nursing in 1994 and has served in this role until April 2018. Effective April 2018, Ms. Porterfield became the Chief Nursing Officer for Aldersgate. Prior to joining Aldersgate, Ms.

Porterfield was employed at Carolinas Medical Center. Ms. Porterfield is a graduate of Wingate College. Ms. Porterfield received board certification in gerontology nursing in 1991. In 2011, she received the Nurse of the Year award, as presented by Leading Age, North Carolina.

Brooke Patterson Hodge, BSN, RN – Assistant to the Administrator has been on staff at Aldersgate for 7 years. Mrs. Hodge has served in various roles at Aldersgate, such as Staff Development Coordinator, Assistant Director of Nursing, and Director of Nursing. Mrs. Hodge is now pursuing her Nursing Home Administrator's license and will subsequently serve as Aldersgate's Director of Health Services. Mrs. Hodge has participated in various vaccination and healthcare education programs in Belize and England, where she lived for several years. She has a Bachelor of Science in Healthcare Administration from St. Christopher's School of Medicine in England and a Bachelor of Science in Nursing from Queens University of Charlotte. She enjoys spending time with her family, on the beach, and is an avid runner.

Brooks Shelley - Director of Marketing and Brand Strategy joined our team in September 2017 after working as a director for a local health and wellness firm for 15 years. Mr. Shelley was a licensed insurance claims manager earlier in his career prior to entering the health and wellness field. Mr. Shelley has served on various volunteer boards, including Plaza Midwood Neighborhood Association (treasurer, vice president, president), First United Methodist Church Board of Trustees, Eastland Area Strategy Team, and currently CPCC Hospitality Advisory Committee. Mr. Shelley is a therapeutic foster parent with 3 adopted teenage boys and received an award for Adopted Parents of the Year from NC Foster and Adoptive Parents Association in 2011. Mr. Shelley is a graduate of University of North Carolina at Wilmington and enjoys spending time with family, friends and playing sand volleyball.

Erin Barbee - Director of Mission Advancement is a native of Charlotte who recently returned home after living the last 5 years in Atlanta, Georgia. Erin received her degree in Sociology and Gerontology from UNC Charlotte in 2006. For the last 11 years Erin has been an Executive Director for different entities within the senior living field that ranged from free standing memory care communities to independent living facilities. In September 2017, Erin accepted her most rewarding position as the Director of Mission Advancement with Aldersgate Retirement Community. Her goal is to work with community partners to help bring more services and unique offerings to both the Elders that live at Aldersgate but, also patrons of East Charlotte and Mecklenburg County.

Veronica Calderon – Chief Diversity and Inclusion Officer has lived in Charlotte for over 20 years and currently serves as Aldersgate Chief Diversity and Inclusion Officer. Ms. Calderon has a bachelor's degree in Business Management, an MBA and MHA from the University of North Carolina Charlotte and it is a proud graduate of CBI Leadership Development Initiative, the Charlotte Chamber Emerging Business leaders' program and the LeadingAge National Leadership Academy Program. Prior to Aldersgate, she was the Diversity & Inclusion Senior Managing Consultant at Atrium Health in Charlotte. She has brought to Aldersgate over 15 years of experience to her role in Diversity, Inclusion and Equity. She also held various Community Benefit, Diverse Market Segment Leader and District Manager roles with Wells Fargo Bank with over twelve years of a highly successful banking career. Veronica currently serves on the boards of the Charlotte Chamber of Commerce, Latin American Chamber of Commerce, Communities in Schools and Your Voice CLT by UNC Charlotte.

Boris Henderson - Chief Strategy Officer is a Charlotte native (graduated from Garinger High School) and is very familiar with Aldersgate and its surrounding community. He is a graduate of Davidson College and obtained a master's in business administration from Wake Forest University in 2006. Boris was inducted into the Davidson Athletic Foundation Hall of Fame in 2013, served a six-year term on the Davidson College Athletic Foundation Board and recently received the Emerging Philanthropist award from AFP's Charlotte Chapter. Previously, as a partner and Chief Financial Officer of the Drakeford Company, Boris brought a deep financial, underwriting and risk management experience to his role. Boris was responsible for capital-raise, cash flow forecasting and modeling and construction and loan procurement. He also held various Commercial Real Estate, Risk Management and Underwriting roles with Wells Fargo, Wachovia Corporation and Wachovia Securities over a successful thirteen-year banking career. Boris currently serves as the immediate past Chair of Habitat Charlotte, is a member of the Habitat International Board of Directors and is a board member of the Johnston YMCA Board of Members.

Criminal Violation Statement

None of the officers, directors, trustees, managing or general partners, any person having a ten percent or greater equity or beneficial interest in the facility, or any person who will be managing the facility on a day-to-day basis has been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment for any felony or civil action involving fraud, embezzlement, fraudulent conversion, or misappropriation of property. None of the officers, directors, trustees, managing or general partners, any person having a ten percent or greater equity or beneficial interest in the facility, or any person who will be managing the facility on a day-to-day basis listed above is subject to a currently effective injunctive or restrictive court order. Within the past five years, none of the officers, directors, trustees, managing or general partners, any person having a ten percent or greater equity or beneficial interest in the facility, or any person who will be managing the facility on a day-to-day basis has had any State or federal license or permit suspended or revoked as a result of an action brought about by a government agency or department, if the action arose out of or related to the 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 Article 64 of Chapter 58 of the North Carolina General Statutes (Continuing Care Retirement Communities) or a similar law in another State.

Location and Description of Physical Property

Aldersgate is located on a 231-acre site at 3800 Shamrock Drive in Charlotte, North Carolina. The campus includes a lake available for fishing, beautiful azalea gardens and acres of land for walking, relaxing and enjoying nature. Among the many options offered on campus, residents may utilize the services of physicians who maintain regular office hours at Aldersgate. Resident membership affords gracious retirement living with the peace of mind that if health care is ever needed, it is available on the campus.

Estimated Number of Residents

As of December 31, 2018, the approximate number of continuing care retirement community residents of Aldersgate was 512. The mix of single and double occupancies will affect the total number of residents at any given time.

In addition to its members, Aldersgate serves residents admitted directly to Cuthbertson Village Memory Support, Parker Terrace Assisted Living, and to Asbury Health and Rehabilitation Center from the community. These persons do not necessarily have continuing care contracts as do the resident members but may simply pay on a monthly fee/per diem basis for services rendered.

POLICIES

ADMISSION

Contract Options

Prospective residents who desire to become Members will submit certain health and financial information, execute a Reservation Agreement, and pay a deposit to reserve a particular residence. See Attachment III for a sample of the Reservation Agreement. Upon acceptance as Members, residents will execute the Residence and Services Agreement and set an occupancy date.

Aldersgate offers a Residence and Services Agreement containing a Life Care benefit. See Attachment III for a sample of this agreement.

Residents qualifying for Life Care pay a one-time Entrance Fee and an ongoing monthly services fee. Should a Life Care resident need additional services in Assisted Living, Memory Care or the Health Care Facility on a permanent basis, the base monthly services fee will be changed to the then current Life Care rate plus the cost of additional meals such that the resident receives \$51 dining dollars per person per day.

Residents not qualifying for Life Care may be admitted to membership at the discretion of Aldersgate but the Life Care benefit will not be applicable to them. They will pay a one-time Entrance Fee and an ongoing monthly services fee. Should a non-Life Care resident need additional services in Assisted Living, Memory Care or the Health Care Facility on a permanent basis, the base monthly services fee will be changed to the then current market rate per day for the appropriate level of care.

A prospective resident qualifying for Life Care may choose to exclude themselves from the Life Care provisions of the agreement upon approval by Aldersgate.

Certain accommodations are also available for lease without admission to membership in the Community.

Health Requirements

Prior to entrance to Aldersgate, the prospective resident (“Applicant”) shall submit a report of a physical examination made by a physician selected by the Applicant within thirty (30) days prior to occupancy. Cost of the examination will be borne by the Applicant. The report will become an integral part of the Member’s record. It will serve as a baseline of information for Aldersgate staff and the Member’s physician as they begin to assist the Member in maintaining optimum health and enjoyment of the Aldersgate community experience. Aldersgate offers various levels of care and access to services to best meet the progressive needs of its Members.

Financial and Insurance Criteria

Financial

To be accepted as a Member and in order for residency to continue, the Applicant must agree to pay the Entrance Fee, monthly fees and charges associated with the accommodation and level of care required by the Applicant. Aldersgate requests the Applicant provide a financial statement. Applicants with inadequate financial resources to carry them through their projected life expectancy are considered for admission if family member(s) or other sponsors whom do have adequate financial resources provide guaranties of payment or if the Applicant qualifies for financial assistance within the provisions of Aldersgate's financial assistance policy.

In consideration of admission to and continuing care in Aldersgate, the Member agrees as follows:

- a. To furnish to Aldersgate accurate information with regard to the nature and extent of his or her assets (now owned or hereafter acquired). The Member must have assets and income which will be sufficient under foreseeable circumstances to pay the financial obligations of the Member and to meet ordinary living expenses of the Member;
- b. To manage those assets to the best of his or her ability in such a way as to permit the payment of the fees set forth;
- c. To furnish, if requested, a financial statement to indicate current financial status. Such statement shall include all assets and guaranteed income;
- d. To pay an Entrance Fee;
- e. To pay the monthly or daily fees for the accommodations utilized from time to time;
- f. To abide by all other terms and provisions of the Residence and Services Agreement and the Resident Handbook.

Health Insurance

The Member agrees that he or she will enroll for Basic and Supplementary coverage under the federal Medicare program, if not so enrolled at the time of admission. If so enrolled, Member agrees to continue participation in these programs.

The following rules shall apply to payments made by the Medicare program on behalf of any Member at any time during which Aldersgate is eligible to receive Medicare reimbursement for services provided to Members:

- a. Any reimbursement received for Medicare Part A services provided to the Member by Aldersgate shall be accepted by Aldersgate as payment in lieu of daily service fees that otherwise would apply while living in the Health Care Facility, to the extent permitted under applicable Federal and State laws and regulations governing Medicare reimbursement.

- b. Any reimbursement received for Medicare Part B services provided to the Member by Aldersgate will be applied as a credit to Aldersgate's fees for those services to the extent permitted under applicable State and Federal laws and regulations governing Medicare reimbursement.

Should the Member or the Member's legally-authorized representative apply for assistance under the Medicaid program, or any successor program of a similar nature, the Member's contract will be terminated.

Age Requirements

The Applicant must be at least 62 years of age or older; for couples, one Applicant must be at least 62 years of age.

Termination of Membership/Cancellation/Refund

The Residence and Services Agreement ("Agreement") included as Attachment III of this Disclosure Statement makes the following provisions for terminations, cancellations and refunds:

A. Right to Rescind Agreement

The Member shall have the right to rescind the Agreement within thirty (30) days after executing the Agreement or receipt of the Disclosure Statement, if later, as required by law. The Member shall not be required to occupy the chosen residence at the Community before expiration of the thirty (30) day period. Upon rescission, the Community shall refund to the Member, or the Member's legally- authorized representative, any portion of Entrance Fees the Member paid to the Community less per diem or monthly charges specified in the Agreement for the Member's residence applicable to the period the residence was actually occupied by the Member; (ii) those nonstandard costs specifically incurred by the Community at the request of Member which are not covered by the per diem or monthly charges applicable to Member; and not to exceed the greater of two percent (2%) of the Entrance Fee or One Thousand Dollars (\$1,000.00). Any such refund shall be paid by the Community within sixty (60) days following receipt of written notification of such termination.

B. Termination by Member Prior to Occupancy Based on Change in Health Status

If the Member dies before occupying his or her residence or becomes incapable of meeting the physical, mental or financial requirements for admission before such occupancy, the Agreement shall be automatically canceled. In such case, the Community shall refund to the resident, the resident's estate, or the resident's legally-authorized representative, any portion of Entrance Fees the Member paid to the Community less (i) those nonstandard costs specifically incurred by the Community at the request of Member which are not covered by the per diem or monthly charges applicable to Member; and (ii) the greater of two percent (2%) of the Entrance Fee or One Thousand Dollars (\$1,000.00). Any such refund shall be paid by the Community within sixty (60) days following receipt of written notification of such termination.

C. Termination by Member Prior to Occupancy for Financial & Other Reasons

Once the thirty (30) day rescission period described in “A”, above, has expired, but before the Member takes occupancy, the Member may terminate this Agreement for any reason not covered by “B”, by giving written notice to the Community. For rescinded or canceled contracts under this section, the resident or the resident's legal representative shall receive a refund of all money or property transferred to the provider, less (i) those nonstandard costs specifically incurred by the provider or facility at the request of the resident and described in the contract or any contract amendment signed by the resident; (ii) nonrefundable fees, if set out in the contract; and (iii) a reasonable service charge, if set out in the contract, not to exceed the greater of two percent (2%) of the entrance fee or of one thousand dollars (\$1,000). Any such refund shall be paid by the Community within sixty (60) days following receipt of written notification of such termination.

D. Termination by Member After Occupancy

Once the thirty (30) day rescission period described above has expired, and after the Member takes occupancy, the Member may, at any time upon ninety (90) days' notice in writing to the Community, terminate his or her membership. Upon termination, a portion of the Entrance Fee may be refunded to the withdrawing Member, as described in the Agreement Section VI, G.

E. The Community's Right to Terminate Agreement

The Community shall have the right at any time, upon thirty (30) days' notice in writing to the Member, to terminate his or her membership because the Member has failed to meet his or her obligations under the Agreement, including but not limited to:

- a. Member has not paid monthly fees and other charges on a timely basis;
- b. Member engages in behavior that unreasonably interferes with the quiet enjoyment of other Members; or
- c. Member has failed to abide by the provisions of the Community's Resident Handbook.

The following may result in immediate termination of membership and discharge:

- a. Member engages in behavior that negatively impacts or threatens the health, safety or welfare of other Members, staff or visitors.

Such notice shall specify the obligation which the Member has failed to perform. Upon such termination, the Member may be entitled to a refund of a portion of the Entrance Fee paid, as described in the Agreement Section VI, G.

F. Termination Upon Death

Death of a Member shall be treated as a termination of membership on the date of death. The refund due, if any, shall be computed as described in the Agreement Section VI, G.

G. Refund Upon Termination

Upon contract termination, the Member may be entitled to a refund of a portion of the Entrance Fee paid, as follows:

1. **0% Refundable Entrance Fee Option** For Members who have chosen the 0% Refundable Entrance Fee Option, the refund due, if any, shall be the Entrance Fee paid, less: (i) ten percent (10%) for any termination occurring in months one through five after occupancy, (ii) two percent (2%) for each month that has elapsed between month six and the date of withdrawal up to month 50; (iii) a fee of One Thousand Dollars (\$1,000); and (iv) any amount due to the Community for monthly care or other unpaid services. No part of the 0% Refundable Entrance Fee is refundable after a Member has resided at the Community for fifty (50) months. Any refundable amount shall be paid to the withdrawing Member only when the Residence is reserved by a new Member and the new Member has paid his/her/their Entrance Fee.
2. **50% Refundable Entrance Fee Option** For Members who have chosen the 50% Refundable Entrance Fee Option, the refund due shall be the Entrance Fee paid less: (i) ten percent (10%) for any termination occurring in months one through ten after occupancy; (ii) one percent (1%) for each month that has elapsed between month eleven and the date of withdrawal up to month 50; (iii) a fee of One Thousand Dollars (\$1,000); and (iv) any amount due to the Community for monthly care or other unpaid services. Any refundable amount shall be paid to the withdrawing Member only when the Residence is reserved by a new Member and the new Member has paid his/her/their Entrance Fee.
3. **90% Refundable Entrance Fee Option** For Members who have chosen the 90% Refundable Entrance Fee Option, the refund due shall be the Entrance Fee paid less: (i) ten percent (10%); (ii) a fee of One Thousand Dollars (\$1,000); and (iii) any amount due to the Community for monthly care or other unpaid services. Any refundable amount shall be paid to the withdrawing Member only when the Residence is reserved by a new Member and the new Member has paid his/her/their Entrance Fee.

If the Member is not alive when a refund becomes due, any refund shall be paid to the estate of the deceased Member or to a beneficiary identified in advance by the Member.

H. Condition of Residence

At the effective date of termination of the Agreement, the Member shall vacate the Residence and shall leave it in good condition except for normal wear and tear. The Member shall be liable to the Community for any cost incurred in restoring the Residence to good condition except for normal wear and tear. Such costs will be deducted from any refund due to the Member under the terms of the Agreement.

I. Use of Refundable Entrance Fee Option for Health Care Expenses at Aldersgate

1. Should a Member who has chosen the 90% or 50% Refundable Entrance Fee Option vacate his or her Residence by transferring permanently to a Health Care Facility at the Community, the Member may then draw against his or her refund to supplement payment of his or her health care costs at Aldersgate but if and only if the Member's other assets from all available sources are insufficient to cover the Member's health care costs at Aldersgate. The Community may require the Member to demonstrate the unavailability of other resources to cover health care costs at Aldersgate. The refundable portion of the Entrance Fee can be accessed exclusively for healthcare services at Aldersgate as a supplement to any income the Member receives from all available sources. The Member would still be entitled to receive any applicable Member discount on his or her health care.
2. The following conditions apply when "the Member" is used in the Agreement to apply to two married individuals in an Independent Living Residence who have chosen the 90% or 50% Refundable Entrance Fee Option:

 - a. The Entrance Fee relates to Member identified in the Agreement, not to either individual Member alone. As such, as long as one of the Members remains in the Community, no refund of the Entrance Fee is due to either Member, even if one Member vacates the Community for any reason.
 - b. Should both Members vacate their Residence by transferring permanently to a Health Care Facility at the Community, either or both Member(s) may then draw against the 90% or 50% Refundable Entrance Fee to supplement payment of their health care costs at Aldersgate but if and only if the Member's other assets from all available sources are insufficient to cover the Member's health care costs at Aldersgate. The Community may require the Member to demonstrate the unavailability of other resources to cover health care costs at Aldersgate. The 90% and 50% Refundable Entrance Fee option can be accessed exclusively for health care services at Aldersgate as a supplement to any income the Member receives from all available sources. The Member would still be entitled to receive any applicable Member discount on their health care. The Member may access the refund for health care purposes only when the vacated Residence is reserved by a new Member and the new Member has paid his/her/their Entrance Fee.
 - c. Should one Member vacate their Residence by transferring to a Health Care Facility at the Community, and the other Member vacates the Residence by transferring to an independent accommodation that carries a lesser Entrance Fee, the Member who has transferred to the Health Care Facility may then draw against the 90% or 50% Refundable Entrance Fee to supplement payment of their health care costs at Aldersgate, up to the difference between the original Entrance Fee, and the then current Entrance Fee (Revised Entrance Fee) for the new independent accommodation, but if and only if the Member's other assets from all available sources are insufficient to cover the Member's health care

costs at Aldersgate. The Community may require the Member to demonstrate the unavailability of other resources to cover health care costs at Aldersgate. The Member would still be entitled to receive any applicable Member discount on their health care. Should the Member residing in the independent living accommodation vacate said accommodation by transferring to Assisted Living or the Health Care Facility at the Community, that Member may then draw upon the refundable portion of the Revised Entrance Fee to supplement payment of their health care costs at Aldersgate, but if and only if the Member's other assets from all available sources are insufficient to cover the Member's health care costs at Aldersgate. The Community may require the Member to demonstrate the unavailability of other resources to cover health care costs at Aldersgate. The 90% or 50% Refundable Entrance Fee can be accessed exclusively for health care services at Aldersgate as a supplement to any income the Member receives from all available sources. The Member would still be entitled to receive any applicable Member discount on their health care. The Member may access the refund for health care purposes only when the vacated Residence is reserved by a new Member and the new Member has paid his/her/their Entrance Fee.

- d. Utilization of the 90% or 50% Refundable Entrance Fee option may be made to supplement payment of health care costs at Aldersgate only. Contingent upon a financial review of the Member's income and assets, Aldersgate reserves the right to determine the amount of the 90% or 50% Refundable Entrance Fee that may be used to supplement the Member's health care fees at Aldersgate.

Change of Accommodations

The Member may request a change in type of accommodation from time to time, subject to permission of Aldersgate and the availability of the type requested. If such change is made, the following rules apply:

- a. If the Entrance Fee for the new accommodation is higher than the Entrance Fee paid for the accommodation to be vacated, the Member will pay the difference between the Entrance Fee for the new accommodation and the Entrance Fee paid for the prior accommodation. In the event of termination, the amount of the refund, if any, will be based on the total Entrance Fees paid.
- b. Member will be responsible for any costs associated with the change of accommodation, including moving expenses. Aldersgate charges a \$15,000 transfer fee to change accommodations.

In the best interests of the entire Aldersgate community and in consultation with the Member and/or his or her responsible party, Aldersgate may request the Member change accommodations. If agreement cannot be reached, Aldersgate may initiate mediation or arbitration for resolution. Any such resultant accommodation shall be subject to the provisions set forth in the Agreement, except that no greater Entrance Fee may be required of the Member.

Transfer of the Member to any of the health care facilities of Aldersgate, which currently includes Asbury Health and Rehabilitation Center, Parker Terrace Assisted Living, and

Cuthbertson Village Memory Support, does not constitute a change of accommodation for these purposes.

Marriages

If a Member marries while residing at Aldersgate, the spouse of the Member is expected to follow Aldersgate's normal admission procedure. Among the basic factors for approval are:

- a. Behavioral characteristics must be appropriate for group living at Aldersgate;
- b. There must be sufficient financial resources to enable the couple to meet financial obligations, or their circumstances must be such as to qualify for financial assistance within Aldersgate's policies and ability to provide;
- c. Such married Member will be required to enter into the then current Residence and Services Agreement which will supersede any and all previous contracts or agreements.

If the applying spouse is approved for residency at Aldersgate and is to live in the same residential accommodation with the Member, additional Entrance Fee is required. If the applying spouse is to live in a separate unit, a regular Entrance Fee is required. Regular monthly (daily in nursing care) fees and other charges would be in accordance with Aldersgate's regular schedule for double or individual occupancy, as appropriate.

If the applying spouse should not meet the requirements of residency, the applying spouse would not be able to reside at Aldersgate and the Member may terminate the Agreement in the same manner as provided in Section VI of the Agreement with respect to a voluntary termination. As of the date of this Disclosure Statement, no applying spouse has failed to meet the requirements.

If a Member while occupying a residence marries a person who is also a Member, the two Members may occupy the residence of either Member if it is a residence designed for occupancy of two persons. Such married Members will be required to enter into the then current Residence and Services Agreement which will terminate any and all previous contracts or agreements with Aldersgate. Such married Members will pay the Monthly Fee for double occupancy associated with the Residence occupied by them. In the event that a Member shall marry a person who is not a Member of the Community, the spouse may become a Member if such spouse meets all the then current requirements to reside in the Community and both Members of the couple enter into a then current version of the Residence and Services Agreement with the Community. The Member and spouse shall then pay the Monthly Fee for double occupancy associated with the Residence occupied by them.

Cohabitation Policy

If a Member cohabitates with another Member while residing at Aldersgate, the Member who vacates his/her unit to move will be treated as a "related" non-married second occupant. The Member who is moving will be subject to his / her own entrance fee, the second person monthly fee with all rights and duties attendant to a "related" second person occupant. The Member who is moving will receive any applicable refundable entrance fee from the unit he / she is vacating. Any refundable amount shall be paid to the withdrawing Member only when

the Residence is reserved by a new Member and the new Member has paid his/her/their Entrance Fee.

Inability To Pay

If a Member should encounter financial difficulty while residing at Aldersgate, the Member may apply for financial assistance. Aldersgate has limited financial assistance resources for this purpose. In a number of cases, there are guaranty agreements between Aldersgate and a Member's family or other sponsor that make possible the Member's continued residency at Aldersgate. Continued residency is contingent upon payment in some manner of all fees and charges associated with residency. Aldersgate is unable to guarantee initial or continuing allocations of financial assistance to a Member.

Lease Option

Aldersgate also offers a lease option through which an individual can enter the community by signing a thirteen (13) month lease agreement. The lease agreement does not require payment of an Entrance Fee, but does require payment of a monthly fee at a higher rate than Members who have paid an Entrance Fee. This option provides lessees access to the same services and amenities as Members, with the exception of health care services. Lessees shall be charged direct admit rates for any higher levels of care. This lease option is available only in specified residences.

SERVICES

Standard Services & Services Available At Extra Charge – Effective January 1, 2019

For the monthly fee paid by the Member, Aldersgate shall provide to the Member the use of the accommodation selected, board, utilities, meal options, housekeeping services, laundry services, grounds keeping, maintenance and repairs, transportation services, security and activities in accord with the practices of Aldersgate as they may be in effect from time to time and the religious, social and creative life of Aldersgate. All Independent Living residents have the option of choosing a meal plan and \$527 dining dollars is included within the Monthly Service Fee. Adjustments that can be made are as follows:

Reduce to Zero (0) Dining Dollars	(\$216) monthly
Reduce to 264 Dining Dollars	(\$108) monthly
Purchase additional 264 Dining Dollars	\$108 monthly
Purchase additional 527 Dining Dollars	\$216 monthly
Purchase additional 1054 Dining Dollars	\$432 monthly

The current daily/monthly fee does not include items such as physicians' fees, outside hospitalization, therapies, drugs, medical supplies, dry cleaning, funeral or burial expenses, all of which remain the sole responsibility of the Member. Examples of other services currently available at an additional charge are those shown in the table below:

<u>Service</u>	<u>Fees</u>
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Beauty and Barber	\$1 - \$80 per specific service
Cable TV	\$40 per month
Telephone	\$38 per month
Extra Housekeeping / Maintenance-	\$25 per hour
Information Technology Services-	\$40 per hour
Tray service-	\$5 per delivery
Extra Meals	Menu Pricing
Guest Rooms	\$45 per day
Guest Meals	Menu Pricing
Group Outings	Per person – event specific
Event Catering	Per person – event specific
Independent Living Unit Transfer Fee	\$15,000 per transfer

Health Care Services

If it is determined that the Member requires assisted living services or nursing care, the Community will provide assisted living services in its assisted living or memory support centers as described in the Agreement and subject to changes in law. The Community will admit the Member on a temporary or permanent basis as needed. Use of these nursing services requires the certification of such need by the Member’s attending physician and shall be subject to availability of an appropriate accommodation at the Community.

In the event that an appropriate accommodation is not available upon determination that a permanent transfer is required, the Community will arrange and pay for Member’s care in his/her Residence by a certified home health care agency of the Community’s choice, if reasonably possible, until an appropriate accommodation becomes available at Aldersgate. If home health care is not medically possible, the Community will arrange and pay for the member’s care in another facility of the Community’s choice that can provide the same care that would otherwise have been provided by the Community until space becomes available. The Community will pay for care in another facility to the same extent as if it were provided by the Community. The Member will pay monthly or daily service fees to Aldersgate as if the Member were living at Aldersgate.

Fees and Charges

In exchange for payment of the applicable monthly or daily service fee, the Community will provide assisted living services or nursing care to the extent that it is not covered by Member’s insurance, Medicare or any other governmental programs or entitlements which Member is required to maintain under the Agreement, subject to the following:

Effect on Monthly Service Fee

- a. **Temporary Transfers** A transfer is considered temporary when the condition that requires the Member’s transfer has the potential to be resolved in a manner which may allow the Member to return to the Residence. The Member’s Residence will be held for the Member’s return.
 - i. **Single Occupancy** Should the Member have a temporary need for Assisted Living or Health Care Facility services while still occupying a Residence, the Member will continue to pay both the then-current Monthly Service

Fee for the Residence and the then-current applicable pro-rated monthly rate at Assisted Living or the then-current daily rate at the Health Care Facility.

- ii. **Double Occupancy** Should one or both Residents have a temporary need for Assisted Living or Health Care Facility services while still occupying the Residence, the Resident will continue to pay the then-current Monthly Service Fee less the then-current second person Monthly Service Fee for the Residence. Additionally, each Resident requiring temporary care provided in Assisted Living or Health Care Facility, will be required to pay the then-current applicable pro-rated monthly rate at Assisted Living or the then-current daily rate at the Health Care Facility.
 - iii. Temporary utilization of Assisted Living or Health Care Facility services does not constitute a change of accommodations subject to the provisions of Section IV.M of the Agreement.
- b. **Permanent Transfers** A transfer is considered permanent when the condition that requires transfer will not allow the Member to return to the Residence and the Residence has been vacated.
- i. **Single Occupancy** Should the Member have a permanent need for Assisted Living or Health Care Facility services, the Member will be required to release the Residence as provided in Section V of the Agreement. The Member's Monthly Service Fee will be initially adjusted to the Life Care rate, which is the market rate of the 90% refundable contract option Monthly Service Fee for the two-bedroom, two-bathroom Sycamore type independent living residence, plus the cost of additional meals such that the resident receives \$51 dining dollars per person per day.
 - ii. **Double Occupancy** Should one Resident have a permanent need for Assisted Living or Health Care Facility services, the Monthly Service Fee will be equal to the then-current Monthly Service Fee for the Residence for one person plus the Life Care rate. Should both Residents have a permanent need for Assisted Living or Health Care Facility services, Resident will be required to release the Residence as provided under Section V of the Agreement. The Monthly Service Fee will be initially adjusted to two times the Life Care rate.
- c. **Additional Charges** Residents will be responsible for all costs and charges associated with Assisted Living or the Health Care Facility that are not covered by the monthly or daily rates for such care then in effect which may include drugs, supplies, ancillary charges and level of care fees, if applicable. In the event of a temporary or permanent transfer, the member will be responsible for all costs of relocation.

Should the Member require health care services, Member may utilize such services as provided at Aldersgate. Use of these health care services shall require the certification of such need by the Member's attending physician and shall be subject to availability of

appropriate accommodation.

Should the Member or the Member's legally-authorized representative apply for and receive assistance under the Medicaid program, or any successor program of a similar nature, the Member's contract will be terminated.

Temporary utilization of the assisted living services and nursing services does not constitute a change of accommodations as referred to under "Change of Accommodations" in the Agreement.

FEES

Reservation Fee

10% of selected Entrance Fee.

Entrance Fee & Monthly Fee. Notification of Fee Increase

Members of Aldersgate pay:

- (a) A One-time Entrance Fee, which is based upon the accommodation chosen and is payable when a contract is signed, and, provides life time access to the community as long as the conditions and terms of the Residence Services Agreement are met;
- (b) A Monthly Services Fee, which covers costs associated with living at Aldersgate.

Rates are subject to change by approval of the Board of Directors, with a thirty-day notification prior to implementation.

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

Refundable Entrance Fee Schedule Existing Independent Living Units – Effective January 1, 2019

Residence Type	Approx. Sq. Ft	90% and 50% Refundable Plan	0% Refundable Plan
Apartments			
Epworth			
1 Bedroom (Rose)	585	\$129,838 - \$170,756	\$90,818 - \$119,633
1 Bedroom (Knock-Out Rose)	585	\$141,769 - \$190,870	\$102,865 - \$142,441
1 Bedroom/Kitchen (Iris)	585	\$162,471 - \$211,572	\$113,626 - \$148,204
2 Bedroom (Tulip)	782	\$207,845 - \$240,580	\$145,503 - \$168,556
2 Bedroom/Kitchen (Lily)	1,067	\$228,314 - \$261,048	\$159,890 - \$182,942
2 Bedroom/Kitchen (Gardenia)	1,170	\$258,027 - \$298,945	\$184,187 - \$213,002
Francis			
1 Bedroom/1 Bath (Cherry)	750	\$188,195 - \$230,963	\$131,702 - \$161,820
1 Bedroom/1.5 Bath (Mimosa)	955	\$244,689 - \$286,211	\$171,236 - \$200,477
2 Bedroom/2 Bath/Balcony (Dogwood)	1,050	\$268,784 - \$310,306	\$188,078 - \$217,320
2 Bedroom/2 Bath/Balcony (Holly)	1,075	\$283,053 - \$291,358	\$198,254 - \$204,103
2 Bedroom/2 Bath/Dining (Magnolia)	1,150	\$301,183 - \$330,248	\$210,770 - \$231,238
2 Bedroom/2 Bath/Dining (Willow)	1,180	\$315,453 - \$315,453	\$220,945 - \$220,945
2 Bedroom/2 Bath/Dining/Balcony (Sycamore)	1,250	\$329,430 - \$351,021	\$230,653 - \$245,859
2 Bedroom/2 Bath/Den/Dining/Balcony (Birch)	1,400	\$336,506 - \$338,997	\$235,449 - \$237,203
2 Bedroom/2 Bath/Den/Dining/Balcony (Chestnut)	1,500	\$393,819 - \$395,479	\$275,685 - \$276,854
2 Bedroom/2.5 Bath/Den/Dining/Balcony (White Oak)	1,660	\$435,926 - \$456,687	\$305,277 - \$319,897
Cottages/Executive Homes			
Azalea View			
2 Bedroom	1,362	\$201,763 - \$286,247	\$141,234 - \$200,629
3 Bedroom	1,754	\$295,510 - \$350,776	\$206,945 - \$245,543
Lake Ridge			
2 bedroom/2 Bath/Garage (Maple)	1,598	\$401,070 - \$459,202	\$280,714 - \$321,652
2 Bedroom/2 Bath/Den/Garage (Walnut)	1,740	\$452,067	\$316,388
2 Bedroom/2 Bath/Den/Garage (Hickory)	1,867	\$482,828 - \$524,351	\$339,079 - \$368,320
Wesley Glen			
2 Bedroom/2 Bath (Cedar)	1,548	\$429,338 - \$432,161	\$300,541 - \$302,517
2 Bedroom/2 Bath (Myrtle)	1,650	\$456,495 - \$485,776	\$319,551 - \$340,048
2 Bedroom/2.5 Bath/Den (Poplar)	1,880	\$484,235 - \$510,920	\$338,969 - \$357,649
2 Bedroom/2.5 Bath/Den (Redwood)	2,035	\$498,186 - \$544,273	\$348,735 - \$380,996
2 Bedroom/2.5 Bath/Den (Laurel)	2,340	\$463,957	\$324,774

Fees shown above apply to single occupancy. The rates for double-occupancy include an additional entrance fee of \$26,000 regardless of residence type.

If a member is 85 years of age or older at the time of the full payment of the entrance fee, a 10% premium is added to the entrance fee up to the age of 90. If a resident is 90 years of age or older at the time of the full payment of the entrance fee, a 10% premium is added to the entrance fee, and they are limited to the 0% refundable entrance fee option.

Refundable Entrance Fee Schedule New Independent Living Units – Effective January 1, 2019

Residence Type	Approx. Sq. Ft	90% and 50% Refundable Plan	0% Refundable Plan
Apartments			
Magnolia View			
1 Bedroom/1.5 bath (Catawba)	851	\$294,474	\$206,131
1 Bedroom/1.5 bath (Elk)	950	\$328,466	\$229,926
1 Bedroom/1.5 bath (Linville)	1002	\$340,147	\$238,103
1 Bedroom/1.5 bath (Elk Deluxe)	1034	\$343,137	\$240,196
2 Bedroom/2.5 bath (Mitchell)	1,192	\$410,751	\$287,526
2 Bedroom/2.5 bath (Pamlico)	1,280	\$428,655	\$300,059
2 Bedroom/2.5 bath (South Fork)	1,376	\$446,560	\$312,591
2 Bedroom/2.5 bath/Fireplace (Uwhaarie)	1376	\$470,393	\$329,276
2 Bedroom/2.5 bath/Fireplace (Yadkin)	1456	\$494,808	\$346,366
Lake View and Park View			
1 Bedroom/1.5 Bath (Badin)	985	\$345,518	\$241,862
2 Bedroom/2.5 Bath (James)	1,285	\$446,560	\$312,591
2 Bedroom/2.5 Bath (Jordan)	1,352	\$457,953	\$320,567
2 Bedroom/2.5 Bath /Fireplace (Norman)	1,352	\$482,251	\$337,576
2 Bedroom/2.5 Bath (Tillery)	1,475	\$488,762	\$342,133
2 Bedroom/2.5 Bath/Fireplace (Wylie)	1,475	\$512,596	\$358,818

Fees shown above apply to single occupancy. The rates for double-occupancy include an additional entrance fee of \$26,000 regardless of residence type.

If a member is 85 years of age or older at the time of the full payment of the entrance fee, a 10% premium is added to the entrance fee up to the age of 90. If a resident is 90 years of age or older at the time of the full payment of the entrance fee, a 10% premium is added to the entrance fee, and they are limited to the 0% refundable entrance fee option.

Monthly Service Fee Schedule Existing Independent Living Units – Effective January 1, 2019

Residence Type	Approx. Sq. Ft	0% and 90% Refundable Plan	50% Refundable Plan
Apartments			
Epworth			
1 Bedroom (Rose)	585	\$2,504	\$2,003
1 Bedroom (Knock-Out Rose)	585	\$2,563	\$2,062
1 Bedroom/Kitchen (Iris)	585	\$2,621	\$2,098
2 Bedroom (Tulip)	782	\$2,679	\$2,142
2 Bedroom/Kitchen (Lily)	1,067	\$2,773	\$2,219
2 Bedroom/Kitchen (Gardenia)	1,170	\$2,894	\$2,315
Francis			
1 Bedroom/1 Bath (Cherry)	750	\$3,001	\$2,400
1 Bedroom/1.5 Bath (Mimosa)	955	\$3,362	\$2,689
2 Bedroom/2 Bath/Balcony (Dogwood)	1,050	\$3,722	\$2,978
2 Bedroom/2 Bath/Balcony (Holly)	1,075	\$3,843	\$3,075
2 Bedroom/2 Bath/Dining (Magnolia)	1,150	\$3,963	\$3,169
2 Bedroom/2 Bath/Dining (Willow)	1,180	\$4,083	\$3,267
2 Bedroom/2 Bath/Dining/Balcony (Sycamore)	1,250	\$4,324	\$3,459
2 Bedroom/2 Bath/Den/Dining/Balcony (Birch)	1,400	\$4,685	\$3,747
2 Bedroom/2 Bath/Den/Dining/Balcony (Chestnut)	1,500	\$4,925	\$3,940
2 Bedroom/2.5 Bath/Den/Dining/Balcony (White Oak)	1,660	\$5,285	\$4,228
Cottages/Executive Homes			
Azalea View			
2 Bedroom	1,362	\$3,540	\$2,835
3 Bedroom	1,754	\$3,728	\$2,981
Lake Ridge			
2 bedroom/2 Bath/Garage (Maple)	1,598	\$4,436	\$3,549
2 Bedroom/2 Bath/Den/Garage (Walnut)	1,740	\$4,517	\$3,614
2 Bedroom/2 Bath/Den/Garage (Hickory)	1,867	\$4,689	\$3,749
Wesley Glen			
2 Bedroom/2 Bath (Cedar)	1,548	\$4,283	\$3,426
2 Bedroom/2 Bath (Myrtle)	1,650	\$4,567	\$3,653
2 Bedroom/2.5 Bath/Den (Poplar)	1,880	\$4,837	\$3,871
2 Bedroom/2.5 Bath/Den (Redwood)	2,035	\$5,070	\$4,054
2 Bedroom/2.5 Bath/Den (Laurel)	2,340	\$5,126	\$4,101

Rates shown above apply to single-occupancy. The rates for double-occupancy include an additional \$1,139 per month regardless of residence type.

Five Hundred and Twenty-Seven (\$527) dining dollars per month is included in the rates for Independent Living Residents with an option for additional dining dollars to the plan at an additional charge or a credit for those residents who want less than \$527 dining dollars.

Monthly Service Fee Schedule New Independent Living Units – Effective January 1, 2019

Residence Type	Approx. Sq. Ft	0% and 90% Refundable Plan	50% Refundable Plan
Apartments			
Magnolia View			
1 Bedroom/1.5 bath (Catawba)	851	\$3,237	\$2,594
1 Bedroom/1.5 bath (Elk)	950	\$3,586	\$2,866
1 Bedroom/1.5 bath (Linville)	1002	\$3,641	\$2,911
1 Bedroom/1.5 bath (Elk Deluxe)	1034	\$3,755	\$3,009
2 Bedroom/2.5 bath (Mitchell)	1,192	\$4,338	\$3,477
2 Bedroom/2.5 bath (Pamlico)	1,280	\$4,507	\$3,608
2 Bedroom/2.5 bath (South Fork)	1,376	\$4,688	\$3,749
2 Bedroom/2.5 bath/Fireplace (Uwhaarie)	1376	\$4,688	\$3,749
2 Bedroom/2.5 bath/Fireplace (Yadkin)	1456	\$4,971	\$3,979
Lake View and Park View			
1 Bedroom/1.5 Bath (Badin)	985	\$3,701	\$2,965
2 Bedroom/2.5 Bath (James)	1,285	\$4,540	\$3,630
2 Bedroom/2.5 Bath (Jordan)	1,352	\$4,742	\$3,793
2 Bedroom/2.5 Bath /Fireplace (Norman)	1,352	\$4,742	\$3,793
2 Bedroom/2.5 Bath (Tillery)	1,475	\$4,971	\$3,979
2 Bedroom/2.5 Bath/Fireplace (Wylie)	1,475	\$4,971	\$3,979

Rates shown above apply to single-occupancy. The rates for double-occupancy include an additional \$1,139 per month regardless of residence type.

Five Hundred and Twenty-Seven (\$527) dining dollars per month is included in the rates for Independent Living Residents with an option for additional dining dollars to the plan at an additional charge or a credit for those residents who want less than \$527 dining dollars.

Monthly Service Fee Schedule Existing and New Health Care Beds– Effective January 1, 2019

Residence Type	Direct Admit	Member - with Health Care Benefit	Member - without Health Care Benefit
Parker Terrace (Assisted Living)			
Studio			
- Tier 1	\$5,125/month		\$4,920/month
- Tier 2	\$6,150/month		\$5,596/month
- Life Care Rate		\$4,756/month	
One Bedroom Apartment			
- Tier 1	\$5,324/month		\$5,111/month
- Tier 2	\$6,352/month		\$5,779/month
- Life Care Rate		\$4,756/month	
Cuthbertson Village Memory Support (Assisted Living)			
One Bedroom Apartment			
- Tier 1	\$6,328/month		\$5,759/month
- Tier 2	\$7,309/month		\$6,651/month
- Life Care Rate		\$4,756/month	
Asbury Health and Rehabilitation (Health Care Facility)			
- Tier 1	\$314/day		\$8,759/month
- Tier 2	\$355/day		\$9,902/month
- Life Care Rate		\$4,756/month	
Asbury Health and Rehabilitation (Health Care Facility)			
- Home for the Aged - Tier 1	\$239/day		\$6,668/month
- Home for the Aged - Tier 2	\$271/day		\$7,561/month
- Life Care Rate		\$4,756/month	

Rates for residents of Asbury Health and Rehabilitation Center, Cuthbertson Village and Parker Terrace Assisted Living include \$51 dining dollars per day.

Temporary absence of the Resident from Aldersgate for vacation, travel, business, medical care or otherwise does not change the Resident's obligation to pay the full monthly fee.

The per diem/monthly fee does not include items such as physicians' fees, outside hospitalization, therapies, drugs, medical supplies, dry cleaning, funeral or burial expenses, all of which remain the sole responsibility of the resident. For those residents covered under Medicare Part A and/or Medicaid, services will be provided consistent with those of the Medicare and/or Medicaid billing program. There may be services for which the resident is billed that are not covered by these programs.

Changes in Fees for the Previous Five Years

Effective Date	Independent Living		Assisted Living		Memory Support		Skilled Nursing	
	% Per Month (Average)	\$ Per Month (Average)	% Per Month (Average)	\$ Per Month (Average)	% Per Month (Average)	\$ Per Month (Average)	% Per Month (Average)	\$ Per Month (Average)
01/01/2015	3.50%	\$98	3.50%	\$143	3.50%	\$143	3.50%	\$5
01/01/2016	3.00%	\$87	3.00%	\$127	3.00%	\$127	3.00%	\$4
01/01/2017	3.00%	\$90	3.00%	\$131	3.00%	\$131	3.00%	\$4
01/01/2018	2.75%	\$85	3.00%	\$135	4.00%	\$180	5.00%	\$8
01/01/2019	3.00%	\$95	3.50%	\$162	4.00%	\$187	5.00%	\$8

FINANCIAL INFORMATION

Financial Overview Statement

Aldersgate has relied upon gifts, pledges, bequests and funds received from trust balances to cover a portion of the cost of construction, equipment, landscaping, other extraordinary expenses and debt service. Aldersgate has long term debt arising from tax-exempt bond issuance in October 2013, the proceeds of which were used to refund the Series 2009 and 2010 bonds and in October 2015, the proceeds of which were used for project related cost for the New Memory Care Suites, the Town Center, and the New Nursing Center. Additionally, Aldersgate issued tax-exempt bonds and two bank loans to construct a new Commons (community center) and 62 new independent living units.

General Statutes Chapter 58, Article 64 requires Aldersgate to establish and maintain an operating reserve equal to twenty-five percent of the total operating costs projected for the twelve-month period ending December 31, 2019, or fifty percent of such total operating costs if occupancy at Aldersgate is less than ninety percent (the "Operating Reserve Requirement"). Aldersgate expects to maintain an occupancy rate more than ninety percent and have sufficient funds available to meet the Operating Reserve Requirement. The projected amount of the Operating Reserve Requirement is \$11,013,250 as defined by statute for the forecasted year ending December 31, 2019. Aldersgate's operating reserve consists of cash, cash equivalents and marketable securities, principally mutual funds.

A more detailed discussion of long-term debt is contained in Note 7 to the Audited Financial Statements in Attachment I.

The Board of Directors determines the way funds of Aldersgate are invested. The funds of Aldersgate are

invested in a diversified portfolio of marketable securities, including cash, cash equivalents, bonds, stocks, mutual funds and other permitted instruments.

Aldersgate operates on a fiscal year that ends on the last day of December. The financial records of the facility are audited annually by an independent certified public accountant. Audited Financial Statements for the years ended December 31, 2018 and December 31, 2017 are included in Attachment I.

Interim, unaudited financial statements as of April 30, 2019, and the year then ended are included as Attachment IV.

Projected Financial Statements for the fiscal years 2019 through 2023 are included as Attachment II.

Reserves, Escrow, and Trust

Aldersgate continues to develop funds that are to be used for assistance to residents who are approved for financial assistance. As of December 31, 2018, the principal of these funds was approximately \$833,703 consisting of both donor and board-designated amounts. The income from these funds constitutes one of several sources of Aldersgate's financial assistance. Other sources of assistance include an annual Mother's Day Offering and grants from wills, trusts, foundations and the Western North Carolina Conference of the United Methodist Church. Aldersgate does not guarantee that the principal of board designated funds will remain committed solely for financial assistance.

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Aldersgate United Methodist Retirement Community, Inc.
Schedule of Variances between Forecasted and Actual Balance Sheet (in thousands of dollars)

Materiality Threshold is 15% variance from prior year's forecast applied to major categories

	<u>12/31/2018</u> <u>Projected</u>	<u>12/31/2018</u> <u>Actual</u>	<u>Dollar Fav.</u> <u>(Unfav.)</u> <u>Variance</u>	<u>Percentage Fav.</u> <u>(Unfav.)</u> <u>Variance</u>
<u>ASSETS</u>				
CURRENT ASSETS	\$ 1,476	\$ 1,649	\$ 173	12%
Cash and Cash Equivalents				
Investments (See note 1)	8,234	13,720	5,486	67%
Accounts receivable, net	2,200	2,086	(114)	-5%
Entrance Fees Receivable (See Note 1)	264	196	(68)	-26%
Prepaid Expenses and Other Current Assets (See Note 1)	1,144	811	(333)	-29%
Total Current Assets	13,318	18,462	5,144	39%
PROPERTY, PLANT, AND EQUIPMENT, NET	134,743	124,254	(10,489)	-8%
ASSETS LIMITED AS TO USE (See Note 1)	33,676	22,539	(11,137)	-33%
OTHER ASSETS (See Note 1)	240	724	484	202%
Total Assets	181,977	165,979	(15,998)	-9%
	4,018	6,728	(2,710)	-67%
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses (See Note 2)				
Accrued Interest	2,127	2,126	1	0%
Entrance Fee Deposits on Unoccupied Units (See Note 2)	2,002	3,610	(1,608)	-80%
Current portion of long-term debt (See Note 2)	5,723	11,401	(5,678)	-99%
Total Current Liabilities	13,870	23,865	(9,995)	-72%
LONG-TERM DEBT, NET OF CURRENT PORTION	125,446	108,706	16,740	13%
DEFERRED ENTRANCE FEE REVENUE, NET (See Note 2)	19,205	15,340	3,865	20%
REFUNDABLE ENTRANCE FEES	32,498	30,289	2,209	7%
Total Liabilities	191,019	178,200	12,819	7%
<u>NET ASSETS</u>	(10,164)	(13,066)	(2,902)	29%
Without Donor Restriction				
With Donor Restriction	1,122	845	(277)	-25%
Total Net Assets (See Note 2)	(9,042)	(12,221)	(3,179)	35%
Total Liabilities and Net Assets	\$ 181,977	\$ 165,979	\$ (15,998)	-9%

The notes to this schedule are an integral component of it and should be read in connection therewith.

Aldersgate United Methodist Retirement Community, Inc.
Schedule of Variances between Forecasted and Actual Operations Statement (in thousands of dollars)

Materiality Threshold is 15% variance from prior year's forecast applied to major categories

	12/31/2018 <u>Projected</u>	12/31/2018 <u>Actual</u>	Dollar Fav. (Unfav.) <u>Variance</u>	Percentage Fav. (Unfav.) <u>Variance</u>
<u>REVENUE, GAINS AND OTHER SUPPORT</u>				
Net Resident Service Revenue	\$ 18,420	\$ 17,540	\$ (880)	-5%
Health Care Revenue	13,044	14,021	977	7%
Amortization Of Deferred Entrance Fees	2,440	2,654	214	9%
Investment Income, Net <i>(See Note 3)</i>	1,072	1,745	673	63%
Other Support <i>(See Note 3)</i>	708	1,034	326	46%
Net Assets Released From Restrictions Used In Operations <i>(See Note 3)</i>	-	489	489	100%
Unrestricted Contributions <i>(See Note 3)</i>	240	698	458	191%
Total Revenue, Gains and Other Support	35,924	38,181	2,257	6%
<u>EXPENSES</u>				
Nursing and Related Services	10,799	12,084	(1,285)	-12%
Dietary	4,556	4,897	(341)	-7%
Housekeeping	1,302	1,275	27	2%
Laundry	254	260	(6)	-2%
Plant Operations and Maintenance <i>(See Note 3)</i>	3,255	4,523	(1,268)	-39%
Administration	9,755	9,612	143	1%
Interest Expense	5,308	4,540	768	14%
Depreciation And Amortization <i>(See Note 3)</i>	6,317	4,554	1,763	28%
Total Expenses	41,546	41,745	(199)	0%
OPERATING INCOME (LOSS)	(5,622)	(3,564)	2,058	-37%
DEFICIT OF REVENUES, GAINS, AND OTHER SUPPORT OVER EXPENSES	(5,622)	(3,564)	2,058	-37%
<u>OTHER CHANGES IN UNRESTRICTED NET ASSETS</u>				
Change in Net Unrealized (Losses) on Investments <i>(See Note 4)</i>	-	(3,153)	(3,153)	100%
(DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ (5,622)	\$ (6,717)	\$ (1,095)	19%
<u>NET ASSETS WITH DONOR RESTRICTIONS <i>(See Note 3)</i></u>				
Contributions	-	251	251	100%
Net Assets Released from Restrictions	-	(489)	(489)	100%
Investment Income, Net	-	6	6	100%
Change in Net Unrealized Losses on Investments With Donor Restriction	-	(46)	(46)	100%
(DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	-	(278)	(278)	100%
DECREASE IN NET ASSETS <i>(See Note 5)</i>	(5,622)	(6,995)	(1,373)	24%
Net assets, beginning of year	(5,225)	(5,225)	-	0%
Net assets, end of year	\$ (10,847)	\$ (12,220)	\$ (1,373)	13%

The notes to this schedule are an integral component of it and should be read in connection therewith.

Aldersgate United Methodist Retirement Community, Inc.
Schedule of Variances between Forecasted and Actual Cash Flow Statement (in thousands of dollars)

Materiality Threshold is 15% variance from prior year's forecast applied to major categories

	<u>12/31/2018</u> <u>Projected</u>	<u>12/31/2018</u> <u>Actual</u>	<u>Dollar Fav.</u> <u>(Unfav.)</u> <u>Variance</u>	<u>Percentage Fav.</u> <u>(Unfav.)</u> <u>Variance</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Increase (decrease) in Net Assets <i>(See Note 2)</i>	\$ (5,622)	\$ (6,995)	\$ (1,373)	20%
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:				
Proceeds from Entrance Fees <i>(See Note 4)</i>	13,456	7,619	(5,837)	-77%
Depreciation and Amortization <i>(See Note 3)</i>	6,446	4,867	(1,579)	-32%
Bad Debt Expense <i>(See Note 4)</i>	-	710	710	100%
Amortization of Deferred Entrance Fees	(2,440)	(2,652)	(212)	8%
Net Unrealized (Gains) Losses on Investments <i>(See Note 4)</i>	-	3,200	3,200	100%
Net Realized Gains on Investments <i>(See Note 4)</i>	-	(1,146)	(1,146)	100%
Changes in operating assets and liabilities:				0%
Accounts and Other Receivable <i>(See Note 1)</i>	(303)	(900)	(597)	66%
Prepaid Expenses and Other Current Assets <i>(See Note 1)</i>	(114)	218	332	152%
Other Assets <i>(See Note 1)</i>	-	(14)	(14)	100%
Entrance Fee Receivable <i>(See Note 1)</i>	(62)	-	62	0%
Accounts Payable and Accrued Expenses <i>(See Note 1)</i>	227	3,271	3,044	93%
Accrued Interest <i>(See Note 2)</i>	(39)	(41)	(2)	5%
Net cash provided by operating activities	11,549	8,137	(3,412)	-42%
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of Property and Equipment <i>(See Note 4)</i>	(28,855)	(21,933)	6,922	-32%
Change in Investments, Net <i>(See Note 4)</i>	7,964	-	(7,964)	0%
Capitalized Interest, Net <i>(See Note 4)</i>	(1,141)	(541)	600	-111%
Construction and Retainage Payable <i>(See Note 4)</i>	(4,529)	(2,379)	2,150	-90%
Sales of Investments and Assets Limited as to Use, Net <i>(See Note 4)</i>	(9,499)	2,064	11,563	560%
Net cash used in investing activities	(36,060)	(22,789)	13,271	-58%
CASH FLOWS FROM FINANCING ACTIVITIES:				
Repayments of Long-Term Debt	(1,540)	(1,540)	-	0%
Proceeds from the Issuance of Long-Term Debt <i>(See Note 4)</i>	29,896	18,592	(11,304)	-61%
Entrance Fees Refunded <i>(See Note 4)</i>	(3,754)	(2,136)	1,618	-76%
Net cash provided by financing activities	24,602	14,916	(9,686)	-65%
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	91	264	173	66%
CASH AND CASH EQUIVALENTS—Beginning of year	1,385	1,385	-	0%
CASH AND CASH EQUIVALENTS—End of year	\$ 1,476	\$ 1,649	\$ 173	10%

The notes to this schedule are an integral component of it and should be read in connection therewith.

Materiality Threshold is 15% variance from prior year's forecast applied to major categories

Aldersgate United Methodist Retirement Community, Inc.
Notes to Schedule of Variance in Forecast and Actual Financial Statements

Materiality Threshold is 15% variance from prior year's forecast applied to major categories.

Note 1:

- Investments – Favorable to projection due to stock market growth above projected results.
- Entrance Fees Receivable – Unfavorable to projection due to the timing of payments received on notes.
- Prepaid Expenses and Other Current Assets – Unfavorable to projection due to the timing of invoices being received and payments being made.
- Assets Limited as to Use – Unfavorable to projection as it was anticipated that the Gateway expansion would be completed in 2018, however, the building would not achieve stable occupancy and require a 50% reserve as opposed to 25%. As the building was not completed during 2018, occupancy was considered stabilized.
- Other Assets – Favorable to projection due to construction delays. Deferred marketing costs were significantly higher than anticipated due to no residents moving in during 2018 and therefore no amortization being incurred.

Note 2:

- Accounts Payable and Accrued Expenses – Unfavorable to projection due to construction delays. It was projected that the Gateway expansion would have been opened in 2018, but it was not completed or opened prior to year-end. There was still work on-going and therefore still retainage and payable at year-end.
- Entrance Fee Deposits on Unoccupied Units – Unfavorable to projection due to the timing of entrance fee receipt and refund.
- Current Portion of Long Term Debt – Unfavorable to projection due to originally being budgeted that the taxable bank loan would be paid off in 2020, however, the vast majority will be paid in 2019.
- Deferred Entrance Fee Revenue, Net – Favorable to projection due to construction delays. As new residents did not move in during 2018, the funds were not received and deferred at year-end.
- Total Net Assets – Unfavorable to projection due to variances explained in Note 3.

Note 3:

- Investment Income, Net – Favorable to projection due to improved stock market performance.
- Other Support – Favorable to projection due to two new leases in the current year that brought in more revenue than projected.
- Net Assets Released From Restrictions Used In Operations – Favorable to plan as these releases are not projected in future year.
- Unrestricted Contributions – Favorable to budget due to receipt of a large estate gift.
- Plant Operations and Maintenance – Unfavorable to projection due to asbestos abatement and demolition costs that were not included.
- Depreciation and Amortization – Favorable to projection due to the construction delays. The expansion was not placed in service and depreciation did not being in 2018, as anticipated.
- Change in Net Unrealized (Losses) on Investments – Unfavorable to budget as this line is not included in the prior projection.
- Net Assets With Donor Restrictions – Unfavorable to budget as restricted net assets are not included in the projection.

Note 4:

- Proceeds from Entrance Fees – Unfavorable to projection due to construction delays. It was projected that our Gateway expansion would be opened during 2018 and begin collecting entrance fees, however, construction was not completed until 2019.
- Bad Debt Expense – Unfavorable to projection as this line was not included in the prior year projection.
- Amortization of Deferred Financing Costs – Due to an accounting change, this is now shown as part of interest expense.
- Purchases of Property and Equipment – Favorable to projection due to construction delays pushing the completion of the Gateway expansion into 2019.
- Construction Retainage – Unfavorable to projection due to construction delays pushing the completion of the Gateway expansion into 2019.
- Capitalized Interest, Net – Unfavorable to projection due to construction delays pushing the completion of the Gateway expansion into 2019.
- Proceeds from the Issuance of Long-Term Debt – Unfavorable to projection due to construction delays not requiring draws on the projected schedule.
- Entrance Fees Refunded – Favorable to projection due to the timing of entrance fee payments required.

TABLE OF CONTENTS

ATTACHMENTS

Attachment I	Most Recent Certified Financial Statements
Attachment II	Five Year Projection
Attachment III	Residence and Services Agreement
	Mediation and Binding Arbitration Agreement
	Reservation Agreement for Gateway Project
	Lease Agreement
	Acknowledgment of Receipt of Disclosure Statement
Attachment IV	Unaudited Financial Statements

Attachment I

Most Recent Certified Financial Statements

**ALDRSGATE UNITED METHODIST
RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)**

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED DECEMBER 31, 2018 AND 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
CONSOLIDATED BALANCE SHEETS	3
CONSOLIDATED STATEMENTS OF OPERATIONS	5
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS	6
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES	7
CONSOLIDATED STATEMENTS OF CASH FLOWS	8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	10
SUPPLEMENTARY INFORMATION	
CONSOLIDATING BALANCE SHEET	34
CONSOLIDATING STATEMENT OF OPERATIONS	36



INDEPENDENT AUDITORS' REPORT

Board of Directors
Aldersgate United Methodist Retirement Community, Inc.
(An Affiliate of Aldersgate Life Plan Services, Inc.)
Charlotte, North Carolina

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Aldersgate United Methodist Retirement Community, Inc. (an affiliate of Aldersgate Life Plan Services, Inc.) (a nonprofit corporation), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Aldersgate United Methodist Retirement Community, Inc.
(An Affiliate of Aldersgate Life Plan Services, Inc.)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Aldersgate United Methodist Retirement Community, Inc. as of December 31, 2018 and 2017, its operations, 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 of America.

Emphasis-of-Matter Regarding Change in Accounting Principle

As discussed in Note 1 to the financial statements, Aldersgate United Methodist Retirement Community, Inc. adopted the provisions of Financial Accounting Standards Board Accounting Standards Updates 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The new accounting standard changes the presentation of various classifications and disclosures within the financial statements. Our opinion is not modified with respect to that matter.

As discussed in Note 1 to the financial statements, Aldersgate United Methodist Retirement Community, Inc. adopted the provisions of Financial Accounting Standards Board Accounting Standards Updates 2014-09, *Revenue from Contracts with Customers*. The new accounting standard clarifies how revenue is to be recognized and requires expanded disclosures related to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of this standard resulted in a cumulative change in accounting principle as described in Note 1. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating schedules are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Charlotte, North Carolina
April 15, 2019

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,648,674	\$ 1,384,641
Investments	13,720,540	16,198,244
Accounts Receivable, Net of Allowance for Doubtful Accounts of Approximately \$989,000 in 2018 and \$195,000 in 2017	2,085,648	1,896,605
Entrance Fees Receivable	196,200	201,500
Prepaid Expenses and Other Current Assets	811,212	1,030,059
Total Current Assets	18,462,274	20,711,049
PROPERTY, PLANT, AND EQUIPMENT, NET	124,254,162	108,855,218
ASSETS LIMITED AS TO USE		
Designated for Statutory Operating Reserve	8,675,045	7,721,978
Held Under Bond Agreements	11,979,860	14,637,921
Board Designated	1,038,418	696,135
Donor Restricted	845,212	1,122,309
Total Assets Limited as to Use	22,538,535	24,178,343
OTHER ASSETS		
Deferred Marketing Costs, Net	512,223	414,768
Other	212,178	198,176
Total Other Assets	724,401	612,944
Total Assets	\$ 165,979,372	\$ 154,357,554

See accompanying Notes to Consolidated Financial Statements.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2018 AND 2017

	2018	2017
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 6,704,210	\$ 5,956,986
Construction and Retainage Payable	2,046,123	4,529,022
Entrance Fee Deposits on Unoccupied Units	3,609,588	2,669,673
Current Portion of Long-Term Debt	11,401,294	1,540,000
Other Current Liabilities	103,680	-
Total Current Liabilities	23,864,895	14,695,681
LONG-TERM DEBT, NET OF CURRENT PORTION	108,706,103	101,143,652
DEFERRED ENTRANCE FEES, NET	15,340,198	15,028,341
REFUNDABLE ENTRANCE FEES	30,288,723	28,715,149
Total Liabilities	178,199,919	159,582,823
NET ASSETS		
Without Donor Restrictions:		
Undesignated	(14,104,177)	(7,043,713)
Designated by the Board for Endowment Fund	1,038,418	696,135
Total Without Donor Restrictions	(13,065,759)	(6,347,578)
With Donor Restrictions	845,212	1,122,309
Total Net Assets	(12,220,547)	(5,225,269)
Total Liabilities and Net Assets	\$ 165,979,372	\$ 154,357,554

See accompanying Notes to Consolidated Financial Statements.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
REVENUE, GAINS, AND OTHER SUPPORT		
Net Resident Service Revenue	\$ 31,561,292	\$ 27,219,238
Amortization of Deferred Entrance Fees	2,652,379	2,766,897
Investment Income, Net	1,744,726	2,775,336
Other Support	1,033,973	580,575
Net Assets Released from Restrictions for Use in Operations	489,344	238,369
Unrestricted Contributions	698,467	127,440
Total Revenue, Gains, and Other Support	38,180,181	33,707,855
EXPENSES		
Nursing and Related Services	12,083,785	10,395,190
Dietary	4,896,884	4,493,793
Housekeeping and Laundry	1,535,729	1,318,891
Plant Operations	4,523,131	3,492,634
Administration	9,611,986	9,397,474
Interest Expense	4,539,619	2,811,631
Amortization	73,747	103,814
Depreciation	4,480,158	4,409,913
Total Expenses	41,745,039	36,423,340
OPERATING LOSS	(3,564,858)	(2,715,485)
OTHER NONOPERATING LOSS		
Loss on Extinguishment of Debt	-	(295,651)
DEFICIT OF REVENUES, GAINS, AND OTHER SUPPORT UNDER EXPENSES	(3,564,858)	(3,011,136)
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Change in Net Unrealized Losses on Investments	(3,153,323)	(38,797)
DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ (6,718,181)	\$ (3,049,933)

See accompanying Notes to Consolidated Financial Statements.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Deficit of Revenues, Gains, and Other Support		
Under Expenses	\$ (3,564,858)	\$ (3,011,136)
Change in Net Unrealized Losses on Investments	(3,153,323)	(38,797)
DECREASE IN NET ASSETS WITHOUT RESTRICTIONS	(6,718,181)	(3,049,933)
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	252,327	233,863
Net Assets Released from Restrictions	(489,344)	(238,369)
Investment Income, Net	6,173	46,418
Change in Net Unrealized Gains (Losses) on Investments		
With Donor Restrictions	(46,253)	95,469
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	(277,097)	137,381
DECREASE IN NET ASSETS	(6,995,278)	(2,912,552)
Net Assets - Beginning of Year, Previously Reported	(5,225,269)	(675,475)
Restatement - Deferred Marketing Costs	-	(1,637,242)
Net Assets - Beginning of Year, Restated	(5,225,269)	(2,312,717)
NET ASSETS - END OF YEAR	\$ (12,220,547)	\$ (5,225,269)

See accompanying Notes to Consolidated Financial Statements.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services	Management and General	Fundraising and Development	Total
Salaries and Wages	\$ 14,588,794	\$ 371,871	\$ 110,451	\$15,071,116
Employee Benefits	923,756	474,215	-	1,397,971
Payroll Taxes	958,162	116,181	8,732	1,083,075
Professional Services	3,319,556	1,898,759	-	5,218,315
Advertising and Promotion	-	424,337	40,044	464,381
Office Expenses	57,558	436,684	43,070	537,312
Occupancy	11,323	278	-	11,601
Travel	19,259	77,919	7,329	104,507
Conferences and Meetings	16,553	105,075	7,133	128,761
Interest	4,520,891	18,728	-	4,539,619
Insurance	173,536	285,746	-	459,282
Supplies	3,051,276	-	-	3,051,276
General and Administrative	1,558,411	1,568,455	-	3,126,866
Depreciation and Amortization	4,206,943	346,962	-	4,553,905
Equipment Expenses	268,180	268,264	-	536,444
Dues and Subscriptions	100,635	108,079	-	208,714
Other	1,030,425	215,120	6,349	1,251,894
Total Expense	<u>\$ 34,805,258</u>	<u>\$ 6,716,673</u>	<u>\$ 223,108</u>	<u>\$41,745,039</u>

See accompanying Notes to Consolidated Financial Statements.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in Net Assets	\$ (6,995,278)	\$ (2,912,552)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Proceeds from Entrance Fees	7,619,440	7,240,079
Depreciation	4,480,158	4,409,913
Amortization of Deferred Marketing Costs	14,727	66,134
Amortization of Bond Discount	59,020	37,681
Amortization of Debt Issuance Costs	313,209	180,509
Bad Debt Expense	710,638	258,363
Loss on Extinguishment of Debt	-	295,651
Amortization of Deferred Entrance Fees	(2,652,379)	(2,766,897)
Net Unrealized (Gains) Losses on Investments	3,199,576	(56,672)
Net Realized Gains on Investments	(1,146,281)	(2,089,562)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(899,681)	(70,895)
Prepaid Expenses and Other Current Assets	218,847	(354,850)
Other Assets	(14,002)	(21,455)
Accounts Payable and Accrued Expenses	3,230,123	146,422
Other Long-Term Liabilities	-	(500)
Net Cash Provided by Operating Activities	8,138,117	4,361,369
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property, Plant, and Equipment	(22,474,183)	(29,083,960)
Change in Construction and Retainage Payable	(2,379,219)	742,067
Sales of Investments and Assets Limited as to Use	2,387,459	10,761,189
Purchases of Investments and Assets Limited as to Use	(323,242)	(323,242)
Net Cash Used by Investing Activities	(22,789,185)	(17,903,946)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Long-Term Debt	(1,540,000)	(9,656,706)
Proceeds from the Issuance of Long-Term Debt	18,591,516	27,990,643
Bond Issue Discount on Issuance of Long-Term Debt	-	(32,307)
Cash Paid for Debt Issuance Costs	-	(700,585)
Entrance Fees Refunded	(2,136,415)	(3,199,189)
Net Cash Provided by Financing Activities	14,915,101	14,401,856
INCREASE IN CASH AND CASH EQUIVALENTS	264,033	859,279
Cash and Cash Equivalents - Beginning of Year	1,384,641	525,362
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,648,674	\$ 1,384,641

See accompanying Notes to Consolidated Financial Statements.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest, Excluding Amounts Capitalized	\$ 5,065,121	\$ 2,047,131
Purchases of Property, Plant, and Equipment Included in Accounts Payable, Including Retainage	\$ 2,046,123	\$ 4,529,022

See accompanying Notes to Consolidated Financial Statements.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Aldersgate United Methodist Retirement Community, Inc. (Aldersgate UMRC) is a North Carolina nonprofit corporation operated in cooperation with the Western North Carolina Conference of The United Methodist Church (the Conference). Aldersgate UMRC is a continuing care retirement community located in Charlotte, North Carolina. Its campus includes independent living apartments and cottages, assisted living apartments including memory-support, and a skilled nursing facility offering long-term care and Medicare and Medicaid certified skilled nursing and rehabilitation services.

Aldersgate Holdings, Inc. (Holdings), a nonprofit corporation, is consolidated with Aldersgate UMRC as Aldersgate UMRC has an economic interest in Holdings and common control exists. Holdings holds land for the sole support of Aldersgate UMRC.

Aldersgate UMRC is an affiliate of Aldersgate Life Plan Services, Inc. (ALPS), the sole member of Aldersgate UMRC. ALPS was incorporated in 2016 as a North Carolina nonprofit corporation. The purpose of ALPS is to create, maintain, and operate continuing care retirement communities and to provide related services as a nonprofit corporation. ALPS also functions as the sole member of Aldersgate at Home, Inc. (Aldersgate at Home), Aldersgate at Sharon, Inc. (Aldersgate at Sharon), and Aldersgate at Shalom Park, Inc. (Aldersgate at Shalom Park). These entities are related organizations to Aldersgate UMRC. As of December 31, 2018 and 2017, Aldersgate at Sharon and Aldersgate at Shalom Park are not operational and there were no related party transactions between the entities.

Aldersgate at Home is a North Carolina nonprofit corporation that provides quality, reliable, and cost-effective home care services to individuals within their own homes. In April 2018, Aldersgate UMRC transferred its home care operations to Aldersgate at Home. Assets of the home care operations were transferred to Aldersgate at Home at net book value, which approximated fair market value at the time of transfer.

Principles of Consolidation

The consolidated financial statements include the accounts of Aldersgate UMRC and Holdings (collectively, Aldersgate). Significant intercompany balances and transactions between the consolidated organizations have been eliminated.

Basis of Presentation

Aldersgate reports in accordance with the industry audit and accounting guide for Health Care Entities issued by the American Institute of Certified Public Accountants. These consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America to present balances and transactions according to the existence or absence of donor-imposed restrictions. This is accomplished by classification of net assets and transactions into two classes which are with donor restrictions and without donor restrictions.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Basis of Presentation (Continued)

Net Assets With Donor Restrictions – Net assets with donor restrictions are net assets subject to donor-imposed stipulations that are either restricted in perpetuity, time restricted, or restricted for certain purposes. Generally, the donor of these assets will permit Aldersgate to use all or part of the income earned on related investments for general or specific purposes.

Net Assets Without Donor Restrictions – Net assets without donor restrictions are net assets which represent resources generated from operations, contributions received without donor-imposed restrictions, and contributions with donor-imposed restrictions that have been met by actions of Aldersgate and/or the passage of time.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Estimates made by Aldersgate relate primarily to the life expectancies used to amortize deferred revenue from entrance fees, the collectability of accounts receivable and the economic lives of depreciating assets. Actual results could differ from those estimates.

Cash and Cash Equivalents

Aldersgate considers all cash, money market funds, and highly liquid investments with a stated maturity of three months or less when purchased to be cash and cash equivalents unless classified as assets limited as to use.

Allowance for Doubtful Accounts

The carrying amount of accounts receivable has been reduced by an allowance using management's estimate of the amounts that will not be collected. Payment for services is required upon receipt of invoice or claim submitted. The allowance for doubtful accounts is based on actual cash receipts as a percentage of the previous month's ending accounts receivable balance. Accounts past due are individually analyzed for collectability. Aldersgate believes all receivables net of the allowance for doubtful accounts are collectible as of December 31, 2018.

Investments

Investments are held as available for sale and are stated at fair value in the consolidated balance sheets. Investment income (including realized gains and losses on investments, interest and dividends) is included in the deficit of revenues, gains, and other support over expenses unless restricted by donors or law. Unrealized gains and losses on investments, if any, are excluded from investment income and included as changes in net assets without donor restrictions or net assets with donor restrictions, as appropriate.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Investments (Continued)

Management continually reviews its investments and evaluates whether declines in the fair value of securities should be considered other-than-temporary. Factored into this evaluation are the general market conditions, the issuer's financial condition and near-term prospects, the recommendation of investment advisors and the length of time and extent to which the market value has been less than cost. At December 31, 2018 and 2017, Aldersgate determined that no provision for other-than-temporary decline was necessary.

Assets Limited as to Use

Assets limited as to use are stated at fair value in the consolidated balance sheets and include assets required by statute, held under bond agreements, held under donor restrictions or designated by the board of directors for financial assistance to residents. The board may, at its discretion, subsequently use assets it has designated for other purposes.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, net of accumulated depreciation. Assets contributed to Aldersgate are recorded at fair market value at the date of contribution.

Expenditures which materially increase values, change capacities, or extend useful lives are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 40 years.

Debt Issuance Costs

Debt issuance costs have been incurred in connection with the issuance of Aldersgate's long-term debt. These costs are amortized over the term of the related indebtedness, which approximates the effective interest method. Debt issuance costs, net of accumulated amortization, were approximately \$1,950,000 and \$2,277,000 at December 31, 2018 and 2017, respectively.

In accordance with Generally Accepted Accounting Principles (GAAP), Aldersgate presents debt issuance costs as a direct deduction from the face amount of the related borrowings, amortizes debt issuance costs using the effective interest method over the life of the debt, and records the amortization as a component of interest expense.

Entrance Fees

Entrance fees represent initial payments made by residents in exchange for membership at Aldersgate. Membership includes the use and privileges of amenities at the community and discounted fees when using health care accommodations. Entrance fees are based upon the accommodation chosen by the member. Aldersgate offers three types of lifecare residency agreements distinguished by the extent to which the entrance fee is refundable:

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Entrance Fees (Continued)

Standard Contract – Entrance fees are refundable less a processing fee and less 2% per month for each of the first 50 months of residency, unless refunded within the first 5 months, in which case the refund is the entrance fee paid less a processing fee and 10% of the entrance fee paid.

90% Refundable Contract – Entrance fees are refundable less a processing fee and less 10%.

50% Refundable Contract – Entrance fees are refundable less a processing fee and less 1% per month for each of the first 50 months of occupancy, unless refunded within the first 11 months, in which case the refund is the entrance fee paid less a processing fee and 10% of the entrance fee paid. After 50 months of occupancy, the refund is 50% of the entrance fee paid.

The defined health care benefit for these contracts is an equalized rate that residents would pay while in either assisted living or nursing, regardless of the type of independent unit they occupy.

The refundable portion of entrance fees is recorded as Refundable Entrance Fees until such time as the agreement is terminated. The non-refundable portion of entrance fees is recorded as Deferred Entrance Fees and amortized into income using the straight-line method over the remaining life of the member, actuarially adjusted annually, beginning with the date of each member's occupancy.

Financial Assistance

Aldersgate has a financial assistance policy to identify residents who are unable to pay and use certain funds designated for financial assistance to subsidize the entrance fees and services provided to those residents. A resident who enters Aldersgate and later becomes unable to pay some or all of their charges after receiving care, may apply for financial assistance from Aldersgate's Financial Assistance Program. The policy governing this program has established a committee consisting of management and members of the board of directors to accept and consider applications for assistance.

Aldersgate has estimated its direct and indirect costs of providing financial assistance under its Financial Assistance Program. In order to estimate the cost of providing such care, management calculated a cost-to-charge ratio by comparing the cost to provide services to residents and amounts charged to residents. The cost-to-charge ratio is applied to the charges foregone to calculate the estimated direct and indirect cost of providing financial assistance. Using this methodology, Aldersgate has estimated the costs for services under Aldersgate's financial assistance policy to be approximately \$854,000 and \$691,000 for the years ended December 31, 2018 and 2017, respectively.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Financial Assistance (Continued)

Aldersgate received approximately \$191,000 and \$168,000 to subsidize the costs of providing financial assistance under its policy for the years ended December 31, 2018 and 2017, respectively.

Donor-Restricted Contributions

Conditional promises to give and indications of intentions to give cash and other assets to Aldersgate are reported at fair value at the date the contribution is received. The contributions are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the consolidated statements of operations as net assets released from restrictions if used for services, and are reported as changes in net assets without donor restrictions if used for purchase of property and equipment. Donor-restricted contributions, whose restrictions are met within the same year as received, are reported as other income in the accompanying consolidated statements of operations.

Performance Indicator

Aldersgate's operations include deficit of revenue, gains, and other support under expenses, known as the performance indicator. Changes in net assets without donor restrictions which are excluded from this performance indicator include unrealized gains and losses on investments. Nonoperating losses include losses on the extinguishment of debt and gains or losses on the disposal of capital assets, if any.

Income Taxes

Aldersgate UMRC and Holdings are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, Aldersgate UMRC and Holdings have made no provision for income taxes in the consolidated financial statements.

Aldersgate UMRC and Holdings are not aware of any activities that would jeopardize their tax-exempt status. Aldersgate UMRC and Holdings follow accounting guidance regarding recognition and measurement of uncertain tax positions. As of December 31, 2018 and 2017, management is not aware of any uncertain tax positions.

Fair Value of Financial Instruments

Aldersgate uses fair value measurements to record certain assets and liabilities. Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under the Fair Value Measurements and Disclosures standard. Aldersgate emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Fair Value of Financial Instruments (Continued)

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that Aldersgate has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments may be estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The Fair Value Option Standard for Financial Assets and Financial Liabilities allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for eligible financial assets and liabilities on an instrument-by-instrument basis. Aldersgate has not elected to measure any existing financial assets or financial liabilities at fair value under this option.

During the year ended December 31, 2018, Aldersgate has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, which amends the disclosure requirements of Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*, for reporting entities that measure the fair value of an investment using the net asset value (NAV) per share (or its equivalent) as a practical expedient. The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy and make certain disclosures for all investments for which fair value is measured using the NAV per share practical expedient. This standard has been retrospectively applied for all periods presented.

Functional Allocation of Expenses

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

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

New Accounting Pronouncements – ASU 2016-14

During the year ended December 31, 2018, Aldersgate adopted FASB Accounting Standards Update (ASU) 2014-09, *Presentation of Financial Statements for Not-for-Profit Entities*. This new accounting standard results in a reduction of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) to two (net assets with donor restrictions and net assets without donor restrictions). The new accounting standard changes the presentation of various classifications and disclosures within the financial statements. The adoption of this accounting standard did not have an impact on Aldersgate's financial position or changes in net assets and has been applied retrospectively to all periods presented, with the exception of functional expenses presented in the consolidated statement of functional expenses.

New Accounting Pronouncements – ASU 2014-09

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which was further codified under Accounting Standards Codification (ASC) 606-10. The standard attempts to create a global, consistent revenue recognition model to be applied to all industries, including health care. The standard requires Aldersgate to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which Aldersgate expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures related to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgements and changes in judgements, and assets recognized from the cost to obtain or fulfill a contract. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Aldersgate adopted ASU 2014-09 on January 1, 2018 as described in Note 10 – Net Resident Service Revenue.

ASU 2014-09 requires organizations to exercise more judgment and recognize revenue using a five-step process. Aldersgate adopted ASU 2014-09 using the full retrospective method for all contracts effective January 1, 2017 and is using a portfolio approach to group contracts with similar characteristics and analyze historical cash collections trends. Full retrospective adoption requires entities to apply the standard retrospectively to the earliest period presented in the financial statements, requiring the cumulative effect of the retrospective application as an adjustment to the opening balance of net assets. As a result of the adoption of this standard, a prior period adjustment was recorded to write-off previously capitalized marketing costs that no longer qualify for capitalization under the provisions of the new standard.

The prior period adjustment resulted in a decrease of net assets of \$1,637,242 as of January 1, 2017. There was also an increase in the 2017 Administration expenses presented for comparative purposes that further decreased net assets as of December 31, 2017 by \$517,840 related to marketing costs capitalized in 2017 that no longer qualify for capitalization under the new standard. These entries resulted in a decrease of property, plant, and equipment, net as of December 31, 2017 of \$2,155,082 of what was previously reported.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

New Accounting Pronouncements – ASU 2014-09 (Continued)

The below table summarizes the impact of the adoption of the standard on the consolidated financial statements as of and for the year ended December 31, 2017:

	Pre-Adoption Balance	Change	Post-Adoption Balance
PROPERTY, PLANT AND EQUIPMENT, NET	\$ 111,010,300	\$ (2,155,082)	\$ 108,855,218
TOTAL ASSETS	156,512,636	(2,155,082)	154,357,554
NET ASSETS			
Net Assets Without Donor Restrictions	(4,192,496)	(2,155,082)	(6,347,578)
TOTAL NET ASSETS	(3,070,187)	(2,155,082)	(5,225,269)
TOTAL LIABILITIES AND NET ASSETS	156,512,636	(2,155,082)	154,357,554
OPERATING EXPENSES			
Administration	8,879,634	517,840	9,397,474
TOTAL OPERATING EXPENSES	35,905,500	517,840	36,423,340
OPERATING LOSS	(2,197,645)	(517,840)	(2,715,485)
DECREASE IN NET ASSETS	(2,394,712)	(517,840)	(2,912,552)
NET ASSETS - BEGINNING OF YEAR, AS RESTATED	(675,475)	(1,637,242)	(2,312,717)
NET ASSETS - END OF YEAR	(3,070,187)	(2,155,082)	(5,225,269)

Subsequent Events

In preparing these consolidated financial statements, Aldersgate has evaluated events and transactions for potential recognition or disclosure through April 15, 2019, the date the consolidated financial statements were available to be issued.

NOTE 2 STATUTORY OPERATING RESERVE

Regulations of the North Carolina Department of Insurance (Department) requires Aldersgate to maintain an operating reserve equal to a percentage of the total operating costs projected for the 12-month period following the period covered by the most recent annual statement filed with the Department. As of December 31, 2018 and 2017, Aldersgate has reserved approximately \$8,675,000 and \$7,722,000, respectively, in compliance with these regulations.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 3 RISKS AND UNCERTAINTIES

Concentrations of Credit Risks

Financial instruments, which potentially subject Aldersgate to concentration of credit risk, consist principally of cash equivalents, investments, assets limited as to use, and receivables. Aldersgate limits the amount of credit exposure to each individual financial institution and places its temporary cash and investments with high credit quality financial institutions. At times, such cash and investments may be in excess of Federal Deposit Insurance Corporation limits. Management believes these financial institutions have strong credit ratings and that credit risk related to these deposits is minimal.

Regulatory Matters

Aldersgate is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, Medicare program participation requirements and reimbursement for patient services, and Medicare fraud and abuse.

Insurance

Aldersgate purchases commercial insurance policies for general and professional liability, director and officer, workers' compensation, property, and other general business coverage with minimal deductibles. Adequate provision has been made for amounts expected to be paid under each policy's deductible limits for unasserted claims not covered by the policy and any other uninsured liability.

On July 1, 2016, Aldersgate changed from a fully insured health insurance plan for its employees to a self-insured arrangement. From the employee perspective, the elements of the self-insured plan are identical to what had been in place under the fully insured plan, but the risk for payment of all claims is now borne by Aldersgate rather than an insurance company. Aldersgate has engaged Blue Cross Blue Shield of NC (BCBSNC) as Third Party Administrator, giving employees access to the BCBSNC network and negotiated fees. Aldersgate also has purchased specific stop loss protection from BCBSNC for all claims over \$90,000, and aggregate stop loss protection for aggregated claims which exceed \$1.6 million over the policy period of 12 months.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 4 INVESTMENTS

Investments consist of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$ 2,068,758	\$ 6,473,456
Equity Securities	-	1,529,517
Mutual Funds	-	1,767,980
Exchange Traded Funds	-	6,414,925
Commonfund Contingent Asset Portfolio	396,858	-
Commonfund Multi-Strategy Equity Investors	5,844,761	-
Commonfund Multi-Strategy Bond Investors	5,406,476	-
Alternative Funds	3,687	12,366
	<u>\$ 13,720,540</u>	<u>\$ 16,198,244</u>

Realized gains and losses on sales of investments are calculated using the specific identification method. Investment income included in net assets is comprised of the following:

	<u>2018</u>		
	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Revenues, Gains, and Other Support:			
Interest and Dividends	\$ 604,618	\$ 598,445	\$ 6,173
Realized Net Gains on Investments	1,146,281	1,146,281	-
	<u>1,750,899</u>	<u>1,744,726</u>	<u>6,173</u>
Other Changes in Net Assets:			
Unrealized Net Losses on Investments	(3,199,576)	(3,153,323)	(46,253)
Total Investment Return	<u>\$ (1,448,677)</u>	<u>\$ (1,408,597)</u>	<u>\$ (40,080)</u>
	<u>2017</u>		
	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Revenues, Gains, and Other Support:			
Interest and Dividends	\$ 732,192	\$ 729,737	\$ 2,455
Realized Net Gains on Investments	2,089,562	2,045,599	43,963
	<u>2,821,754</u>	<u>2,775,336</u>	<u>46,418</u>
Other Changes in Net Assets:			
Unrealized Net Gains (Losses) on Investments	56,672	(38,797)	95,469
Total Investment Return	<u>\$ 2,878,426</u>	<u>\$ 2,736,539</u>	<u>\$ 141,887</u>

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 5 PROPERTY, PLANT, AND EQUIPMENT

The components of property, plant, and equipment at December 31 were as follows:

	2018	2017
Land and Improvements	\$ 12,707,370	\$ 12,758,892
Buildings and Improvements	137,023,840	135,896,523
Furniture, Fixtures, and Equipment	17,433,162	18,623,374
Vehicles	857,284	908,435
	168,021,656	168,187,224
Less: Accumulated Depreciation	(66,253,672)	(65,812,619)
	101,767,984	102,374,605
Construction in Progress	22,486,178	6,480,613
Property and Equipment, Net	\$ 124,254,162	\$ 108,855,218

Depreciation expense for the years ended December 31, 2018 and 2017 totaled approximately \$4,480,000 and \$4,410,000, respectively. The majority of the construction in progress at December 31, 2018 and 2017 relates to the construction of the new independent living units on the Aldersgate UMRC campus.

Construction began in October 2015 on a new replacement nursing care facility. The new nursing care facility opened in October 2017. In September 2016, construction began on a new, approximately 14,000 square foot community center as well as the renovation of approximately 29,000 square feet of the adjacent Ray Hall Community Center (collectively, the New Community Center). The New Community Center serves the entire Aldersgate UMRC community and opened December 2017. In May 2017, construction began on new independent living units with an anticipated completion of April 2019. Each of the construction contracts contains payments that will be based on specific milestones outlined in each contract or monthly retainers. The total estimated construction costs to be incurred in 2019 related to the new independent living units will be approximately \$2,600,000.

NOTE 6 ASSETS LIMITED AS TO USE

Assets limited as to use are stated at fair value and consist of cash and cash equivalents, mutual funds, fixed income investments, equity securities, exchange traded funds, and Commonfund contingent asset, multi-strategy equity, and multi-strategy bond investor portfolios at December 31, 2018 and 2017.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 7 LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
North Carolina Medical Care Commission:		
Retirement Facilities Revenue Bonds, Series 2013	\$ 31,260,000	\$ 32,800,000
Retirement Facilities Revenue Bonds, Series 2015	49,240,000	49,240,000
Retirement Facilities Revenue Refunding Bonds, Series 2017A	19,080,000	19,080,000
Retirement Facilities Revenue Bonds, Series 2017B	13,309,912	3,942,977
Taxable Loan	9,571,183	346,602
	<u>122,461,095</u>	<u>105,409,579</u>
Less: Current Portion	(11,401,294)	(1,540,000)
Less: Unamortized Bond Discount	(404,100)	(448,513)
Less: Unamortized Debt Issuance Costs	(1,949,598)	(2,277,414)
	<u>\$108,706,103</u>	<u>\$101,143,652</u>

In October 2013, the North Carolina Medical Care Commission issued its \$38,025,000 Retirement Facilities First Mortgage Revenue Refunding Bonds Series 2013 (the 2013 Bonds). The proceeds of the 2013 Bonds were used to refund the then outstanding 2009 and 2010 Bonds, to fund a debt service reserve fund, and to pay certain costs incurred in connection with the authorization and issuance of the 2013 Bonds. Principal payments on the 2013 Bonds began in July 2014 and extend through July 2035. Interest on the 2013 Bonds is paid semi-annually with interest rates ranging from 2% to 6.25%.

In November 2015, the North Carolina Medical Care Commission issued its \$49,240,000 Retirement Facilities First Mortgage Revenue Bonds Series 2015 (the 2015 Bonds). The proceeds of the 2015 Bonds are for the purpose of providing funds to Aldersgate UMRC to be used to finance the cost of an approximately 140,000 square foot replacement 125-bed nursing home, to refinance the cost of the completion of, and the additions and improvements to, the existing memory care support facility, renovation and reconfiguration of the existing memory support town center, and to pay certain expenses incurred in connection with the issuance of the Series 2015 Bonds. Principal payments on the 2015 Bonds begin in July 2032 and extend through July 2045. Interest on the 2015 Bonds is paid semi-annually with interest rates ranging from 4.7% to 5%.

In September 2016, Aldersgate UMRC entered into a loan agreement with a financial institution for an amount not to exceed \$16,400,000. An initial advance of approximately \$2,878,000 was provided at closing to refund outstanding debt. Additional advances on the loan were made by the financial institution at the request of Aldersgate UMRC as needed for construction. Interest was payable monthly beginning October 2016 at a rate of LIBOR plus a credit spread (ranging from 2.2% to 2.9%) depending on Aldersgate UMRC's debt to capitalization ratio. The balance was paid from the proceeds related to the issuance of the North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Refunding Bonds, Series 2017A. A loss of approximately \$296,000 was recognized on the refunding for the year ended December 31, 2017, which related to the write-off of unamortized debt issuance costs.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 7 LONG-TERM DEBT (CONTINUED)

In May 2017, the North Carolina Medical Care Commission issued its \$19,080,000 Retirement Facilities First Mortgage Revenue Refunding Bonds Series 2017A (the 2017A Bonds). The proceeds of the 2017A Bonds are to refund the outstanding 2016 bank loan, finance the costs of constructing, renovating, equipping and furnishing an approximately 43,000 square foot community center, to acquire a parcel of land, to fund a debt service reserve fund, and to pay certain expenses incurred in connection with the issuance of the Series 2017A Bonds. Principal payments on the 2017A Bonds begin in July 2020 and extend through July 2047. Interest on the 2017A Bonds is paid semi-annually with interest rates ranging from 2.5% to 4.5%.

In May 2017, the North Carolina Medical Care Commission issued its \$15,712,645 Retirement Facilities First Mortgage Revenue Bonds Series 2017B (the 2017B Bonds). The proceeds of the 2017B Bonds are being used to construct, equip, furnish and market 62 new independent living units, fund routine capital improvements to buildings throughout Aldersgate UMRC's campus and to pay certain expenses incurred in connection with the issuance of the Series 2017B Bonds. Principal payments on the 2017B Bonds begin in July 2019 and extend through June 2044. The 2017B Bonds are a draw down loan. Monthly interest payments began July 2017 at a variable rate based upon 67% of the sum of the 30-day LIBOR, calculated on the basis of an actual 360-day year, plus a credit spread.

In May 2017, Aldersgate UMRC entered into a taxable loan agreement (2017 Taxable Loan) with a financial institution for an amount not to exceed \$18,473,050. The 2017 Taxable Loan consists of a bank placed variable rate taxable loan whose principal will be funded on a draw down basis. The 2017 Taxable Loan has monthly interest payments which began in June 2017. The interest rate is based upon 100% of the sum of the 30-day LIBOR, calculated on the basis of an actual 360-day year, plus a credit spread. The 2017 Taxable Loan is assumed to mature January 1, 2020. Principal payments will occur based upon the anticipated availability of entrance fee receipts relating to the new independent living expansion project.

The terms of the agreements related to the 2013, 2015, 2017A, 2017B and the 2017 Taxable Loan require, among other provisions, a debt coverage ratio (as defined) greater than or equal to 1.2. At December 31, 2018 and 2017, management believes Aldersgate UMRC was in compliance with these requirements as well as all other financial covenants contained in its bond agreements. The series 2013, 2015, 2017A, 2017B, and 2017 Taxable Loan are collateralized by certain property of Aldersgate.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 7 LONG-TERM DEBT (CONTINUED)

Scheduled annual principal maturities of long-term debt are as follows:

<u>Maturity Date</u>	<u>Principal Amount</u>
2019	\$ 11,401,294
2020	2,515,038
2021	2,629,758
2022	2,743,608
2023	2,872,889
Thereafter	100,298,508
	<u>\$ 122,461,095</u>

NOTE 8 ENTRANCE FEES

Deferred entrance fee revenue by contract type as of December 31 was as follows:

	<u>2018</u>	<u>2017</u>
Standard	\$ 8,784,803	\$ 9,712,856
90% Refundable	1,013,061	1,170,869
50% Refundable	5,542,334	4,144,616
	<u>\$ 15,340,198</u>	<u>\$ 15,028,341</u>

Refundable entrance fees by contract type as of December 31 were as follows:

	<u>2018</u>	<u>2017</u>
90% Refundable	\$ 22,659,222	\$ 23,021,659
50% Refundable	7,629,501	5,693,490
	<u>\$ 30,288,723</u>	<u>\$ 28,715,149</u>

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 9 NET ASSETS

Net Assets with donor restrictions are restricted for the following purposes or periods as of December 31:

	<u>2018</u>	<u>2017</u>
Subject to Expenditure for Specific Purpose:		
Financial Assistance to Residents	\$ 189,087	\$ 349,944
Employee Training	-	8,242
Columbarium Fund	-	45,961
Art Fund	11,509	75,155
Library Fund	-	600
	<u>200,596</u>	<u>479,902</u>
Subject to Aldersgate's Spending Policy and Appropriation:		
Endowment Funds	<u>644,616</u>	<u>642,407</u>
Total Net Assets With Donor Restrictions	<u>\$ 845,212</u>	<u>\$ 1,122,309</u>

During the years ended December 31, 2018 and 2017, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	<u>2018</u>	<u>2017</u>
Purpose Restrictions Accomplished:		
Financial Assistance to Residents	\$ 305,361	\$ 196,946
Employee Training	8,242	-
Columbarium Fund	82,336	-
Art Fund	92,805	41,423
Library Fund	600	-
	<u>489,344</u>	<u>238,369</u>
Total Net Assets Released from Restrictions	<u>\$ 489,344</u>	<u>\$ 238,369</u>

Aldersgate's net assets with donor restrictions include individual endowments established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 9 NET ASSETS (CONTINUED)

Aldersgate complies with the North Carolina Uniform Prudent Management of Institutional Funds Act (the Act). Aldersgate has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. Aldersgate classifies as net assets with donor restrictions the original value of gifts with donor-imposed restrictions and the portion of income derived from the gift, if any, that the donor requires to be kept in perpetuity. The portion of income derived from the gift, if any, that the donor does not require to be kept in perpetuity is classified in the consolidated balance sheets as net assets with donor restrictions until those amounts are appropriated for expenditure by Aldersgate in a manner consistent with the donor's stipulation and the standard of prudence prescribed in the Act. Unless a donor explicitly stipulates otherwise, unrealized net appreciation in market value of the original gift is maintained as net assets with donor restrictions until those amounts are appropriated for expenditure by Aldersgate in a manner consistent with the donor's stipulation and the standard of prudence prescribed in the Act. Any unrealized net depreciation that causes total market value to decline below the amount of the original gift is reported in net assets without donor restrictions.

Endowment net asset composition by type and fund was as follows as of December 31, 2018 and 2017:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 1,038,418	\$ -	\$ 1,038,418
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	644,616	644,616
Total	<u>\$ 1,038,418</u>	<u>\$ 644,616</u>	<u>\$ 1,683,034</u>
	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 696,135	\$ -	\$ 696,135
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	642,407	642,407
Total	<u>\$ 696,135</u>	<u>\$ 642,407</u>	<u>\$ 1,338,542</u>

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 9 NET ASSETS (CONTINUED)

The following are the changes in endowment net assets managed by Aldersgate for the years ended December 31, 2018 and 2017:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of the Year	\$ 696,135	\$ 642,407	\$ 1,338,542
Contribution - Income	342,283	-	342,283
Distributions	-	-	-
Realized Gains/Losses and Change in Unrealized Gains/ Losses on Investments	-	2,209	2,209
Endowment Net Assets, End of the Year	<u>\$ 1,038,418</u>	<u>\$ 644,616</u>	<u>\$ 1,683,034</u>
	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of the Year	\$ 696,135	\$ 637,443	\$ 1,333,578
Contributions - Income	-	68,356	68,356
Distributions	-	(65,847)	(65,847)
Realized Gains/Losses and Change in Unrealized Gains/ Losses on Investments	-	2,455	2,455
Endowment Net Assets, End of the Year	<u>\$ 696,135</u>	<u>\$ 642,407</u>	<u>\$ 1,338,542</u>

Aldersgate had board designated endowment funds of \$1,038,418 and \$696,135 for the years ended December 31, 2018 and 2017, respectively. These board designated endowment funds are included as a component of net assets without donor restrictions.

Return Objectives and Risk Parameters

Aldersgate has adopted an investment policy for donor-restricted gifts that attempts to provide a predictable stream of funding. Such assets are invested in a manner that is intended to maximize income while preserving capital, strive for consistent absolute returns, and preserve purchasing power by striving for returns which exceed fees and inflation without putting the principal value at imprudent risk. Management targets an asset allocation that diversifies investments consistent with commonly accepted industry standards to minimize the risk of large losses and meet Aldersgate's return objectives. Imprudent concentrations in any single asset class or investment vehicle are prohibited.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 9 NET ASSETS (CONTINUED)

Spending Policy

Aldersgate spends income generated from endowment assets according to stipulations of the donors. Aldersgate's spending policy preserves the value of the original gift of the endowment assets held in perpetuity.

NOTE 10 NET RESIDENT SERVICE REVENUE

Net resident service revenue is reported at the amount that reflects the consideration to which Aldersgate expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, Aldersgate bills the residents and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by Aldersgate. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Aldersgate believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facilities receiving skilled nursing services or residents receiving services in the facilities or in their homes (home care). Aldersgate measures the performance obligation from admission into the facility, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that resident, which is generally at the time of discharge or completion of the outpatient services. Aldersgate considers monthly rental for housing services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our residents and customers in a retail setting (for example, gift shop and cafeteria meals) and Aldersgate does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, Aldersgate has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 10 NET RESIDENT SERVICE REVENUE (CONTINUED)

Aldersgate determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with Aldersgate's policy, and/or implicit price concessions provided to residents. Aldersgate determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. Aldersgate determines its estimate of implicit price concessions based on its historical collection experience.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare and Medicaid

Aldersgate's licensed nursing facility participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The nursing facility is paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services. The PPS is a per diem price-based system. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

Nursing facilities licensed for participation in the Medicare and Medical Assistance programs are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility.

Aldersgate's licensed nursing facility participates in the Medicaid program which is administered by the North Carolina Division of Health Benefits. Services rendered to Medicaid program beneficiaries are reimbursed using predetermined per diem rate as defined for each Medicaid provider in North Carolina. Annual cost report filings are required for Medicaid providers, which include the completion of the North Carolina Division of Health Benefit's supplemental schedules. For life plan communities, the supplemental schedules do not contain a cost settlement.

Other

Payment agreements with certain commercial insurance carriers provide for payment using prospectively determined daily rates.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 10 NET RESIDENT SERVICE REVENUE (CONTINUED)

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and Aldersgate's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2018 or 2017.

Generally residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. Aldersgate estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident services revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended December 31, 2018 and 2017. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense.

Aldersgate has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors: payors, service lines, method of reimbursement, and timing of when revenue is recognized.

The composition of net resident service revenue by primary payor for the years ended December 31 is as follows:

	<u>2018</u>	<u>2017</u>
Medicare	\$ 7,381,547	\$ 5,936,501
Medicaid	538,245	-
Private	23,641,500	21,282,737
	<u>\$ 31,561,292</u>	<u>\$ 27,219,238</u>

Revenue from resident's deductibles and coinsurance are included in the categories presented above based on primary payor.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 10 NET RESIDENT SERVICE REVENUE (CONTINUED)

The composition of resident service revenue based on Aldersgate's lines of business, method of reimbursement, and timing of revenue recognition for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Service Lines:		
Independent Living	\$ 9,722,721	\$ 9,717,297
Assisted Living	2,542,060	2,231,262
Skilled Nursing Facility	13,194,746	9,078,926
Home Care	281,146	1,015,493
Memory Support	3,868,706	3,385,630
Other	1,951,913	1,790,630
	\$ 31,561,292	\$ 27,219,238
Method of Reimbursement:		
Monthly Service Fees	\$ 22,878,185	\$ 19,676,074
Fee for Service	8,683,107	7,543,164
	\$ 31,561,292	\$ 27,219,238
Timing of Revenue and Recognition:		
Health Care Services Transferred Over Time	\$ 31,561,292	\$ 27,219,238
	\$ 31,561,292	\$ 27,219,238

Financing Component

Aldersgate has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due to Aldersgate's expectation that the period between the time the service is provided to a resident and the time that the resident or a third-party payor pays for that service will be one year or less. However, Aldersgate does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Contract Costs

Aldersgate has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Organization otherwise would have recognized is one year or less in duration.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 11 BENEFIT PLAN

Aldersgate has a defined contribution retirement plan that covers all employees of Aldersgate who have completed thirty days of employment and who are regularly scheduled to work a minimum of twenty hours per week. Employees whose annual compensation hours exceed 1,000 shall be eligible to receive a discretionary annual contribution of a percentage of annual gross compensation subject to approval by the board of directors, depending on the financial performance of Aldersgate. Aldersgate matches fifty percent of the voluntary contribution of each employee up to a maximum of four percent of annual compensation. Employees vest in employer contributions on a graded scale over a six-year period.

There were no discretionary contributions made to the plan by Aldersgate during the years ended December 31, 2018 and 2017.

NOTE 12 FAIR VALUE MEASUREMENTS

Aldersgate uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

All assets have been valued using a market approach, except for funds which are valued based on a net asset value per share (or its equivalent). Alternative funds held by Aldersgate seek long-term capital appreciation and reduction of overall portfolio risk through investing in Commonfund contingent asset, multi-strategy equity, and multi-strategy bond investor portfolios, and directional and nondirectional hedge fund of funds. Aldersgate has an alternative investment valuation procedure in which management validates the fair value reported by the third-party investment manager.

For additional information on how Aldersgate measures fair value refer to Note 1 – Organization and Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of the assets and liabilities of Aldersgate measured at fair value on a recurring basis, except those measured by using net asset value (NAV) per share as a practical expedient, as of December 31, 2018 and 2017:

	2018			Total
	Level 1	Level 2	Level 3	
Assets				
Assets Limited as to Use				
Fixed Income	\$ 7,138,777	\$ -	\$ -	\$ 7,138,777
Total Assets Measured at Fair Value	<u>\$ 7,138,777</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,138,777</u>

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

	2017			Total
	Level 1	Level 2	Level 3	
Assets				
Investments				
Equity Securities	\$ 1,529,517	\$ -	\$ -	\$ 1,529,517
Mutual Funds	1,767,980	-	-	1,767,980
Exchange Traded Funds	6,414,925	-	-	6,414,925
Assets Limited as to Use				
Mutual Funds	9,540,422	-	-	9,540,422
Fixed Income	7,013,798	-	-	7,013,798
Total Assets Measured at Fair Value	<u>\$26,266,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$26,266,642</u>

Certain alternative investments held by Aldersgate calculate net asset value per share (or its equivalent). The following tables set forth additional disclosures for the fair value measurement of funds that calculate net asset value per share (or its equivalent) for the years ended December 31, 2018 and 2017:

	2018			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
CF Multi-Strategy Equity Investors, LLC	\$ 11,142,876	\$ -	Short-term	5 Days
CF Multi-Strategy Bond Investors, LLC	10,307,296	-	Short-term	5 Days
CF Contingent Asset Portfolio, LLC	756,598	-	Short-term	5 Days
Aurora Offshore Fund Ltd II	3,687	-	Quarterly	95 Days
Total Alternative Funds	<u>\$ 22,210,457</u>	<u>\$ -</u>		

	2017			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Aurora Offshore Fund Ltd II	\$ 12,366	\$ -	Quarterly	95 Days
Total Alternative Funds	<u>\$ 12,366</u>	<u>\$ -</u>		

The alternative investment funds are valued at the net asset value (NAV) of units, which are based on market prices of the underlying investments, held by Aldersgate at year-end.

NOTE 13 COMMITMENTS AND CONTINGENCIES

Aldersgate is subject to potential litigation arising in the ordinary course of business. Management is currently not aware of any such litigation.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 14 LIQUIDITY AND AVAILABILITY

Aldersgate invests cash in excess of short-term requirements in short-term investments, which include asset, equity, and bond portfolios, which are liquid within one week. Certain alternative investments are liquid within one year or less.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, compromise the following:

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$ 1,648,674	\$ 1,384,641
Investments and Assets Limited as to Use:		
Operating Investments	13,720,540	16,198,244
Designated for Statutory Operating Reserve	8,675,045	7,721,978
Held Under Bond Agreements	11,979,860	14,637,921
Board Designated	<u>1,038,418</u>	<u>696,135</u>
Total Investments and Assets Limited As to Use	35,413,863	39,254,278
Accounts Receivable, Net	2,085,648	1,896,605
Entrance Fees Receivable	<u>196,200</u>	<u>201,500</u>
Total Financial Assets Available to Meet Liquidity Needs	<u>\$ 39,344,385</u>	<u>\$ 42,737,024</u>

SUPPLEMENTARY INFORMATION

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2018

ASSETS	Aldersgate United Methodist Retirement Community, Inc.	Aldersgate Holdings, Inc.	Eliminating Entries	Consolidated
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 1,648,674	\$ -	\$ -	\$ 1,648,674
Investments	13,720,540	-	-	13,720,540
Accounts Receivable, Net of Allowance for Doubtful Accounts	2,085,648	-	-	2,085,648
Entrance Fees Receivable	196,200	-	-	196,200
Prepaid Expenses and Other Current Assets	811,212	-	-	811,212
Total Current Assets	<u>18,462,274</u>	<u>-</u>	<u>-</u>	<u>18,462,274</u>
PROPERTY, PLANT, AND EQUIPMENT, NET	123,904,162	350,000	-	124,254,162
ASSETS LIMITED AS TO USE				
Designated for Statutory Operating Reserve	8,675,045	-	-	8,675,045
Held Under Bond Agreement	11,979,860	-	-	11,979,860
Board Designated	1,038,418	-	-	1,038,418
Donor Restricted	845,212	-	-	845,212
Total Assets Limited as to Use	<u>22,538,535</u>	<u>-</u>	<u>-</u>	<u>22,538,535</u>
OTHER ASSETS				
Deferred Marketing Costs, Net	512,223	-	-	512,223
Other	212,178	-	-	212,178
Total Other Assets	<u>724,401</u>	<u>-</u>	<u>-</u>	<u>724,401</u>
Total Assets	<u>\$ 165,629,372</u>	<u>\$ 350,000</u>	<u>\$ -</u>	<u>\$ 165,979,372</u>

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2018

	Aldersgate United Methodist Retirement Community, Inc.	Aldersgate Holdings, Inc.	Eliminating Entries	Consolidated
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 6,704,210	\$ -	\$ -	\$ 6,704,210
Construction and Retainage Payable	2,046,123	-	-	2,046,123
Entrance Fee Deposits on Unoccupied Units	3,609,588	-	-	3,609,588
Current Portion of Long-Term Debt	11,401,294	-	-	11,401,294
Other Current Liabilities	103,680	-	-	103,680
Total Current Liabilities	<u>23,864,895</u>	-	-	<u>23,864,895</u>
LONG-TERM DEBT, NET OF CURRENT PORTION	108,706,103	-	-	108,706,103
DEFERRED ENTRANCE FEES, NET	15,340,198	-	-	15,340,198
REFUNDABLE ENTRANCE FEES	<u>30,288,723</u>	-	-	<u>30,288,723</u>
Total Liabilities	178,199,919	-	-	178,199,919
NET ASSETS				
Without Donor Restrictions:				
Undesignated	(14,454,177)	350,000	-	(14,104,177)
Designated by the Board for Endowment Fund	1,038,418	-	-	1,038,418
Total Without Donor Restrictions	<u>(13,415,759)</u>	350,000	-	<u>(13,065,759)</u>
With Donor Restrictions	845,212	-	-	845,212
Total Net Assets	<u>(12,570,547)</u>	<u>350,000</u>	<u>-</u>	<u>(12,220,547)</u>
Total Liabilities and Net Assets	<u>\$ 165,629,372</u>	<u>\$ 350,000</u>	<u>\$ -</u>	<u>\$ 165,979,372</u>

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2018

	Aldersgate United Methodist Retirement Community, Inc.	Aldersgate Holdings, Inc.	Eliminating Entries	Consolidated
REVENUE, GAINS, AND OTHER SUPPORT				
Net Resident Service Revenue	\$ 31,561,292	\$ -	\$ -	\$ 31,561,292
Amortization of Deferred Entrance Fees	2,652,379	-	-	2,652,379
Investment Income, Net	1,744,726	-	-	1,744,726
Other Support	1,033,973	-	-	1,033,973
Net Assets Released from Restrictions for Use in Operations	489,344	-	-	489,344
Unrestricted Contributions	698,467	-	-	698,467
Total Revenue, Gains, and Other Support	<u>38,180,181</u>	<u>-</u>	<u>-</u>	<u>38,180,181</u>
EXPENSES				
Nursing and Related Services	12,083,785	-	-	12,083,785
Dietary	4,896,884	-	-	4,896,884
Housekeeping and Laundry	1,535,729	-	-	1,535,729
Plant Operations	4,523,131	-	-	4,523,131
Administration	9,611,986	-	-	9,611,986
Interest Expense	4,539,619	-	-	4,539,619
Amortization	73,747	-	-	73,747
Depreciation	4,480,158	-	-	4,480,158
Total Expenses	<u>41,745,039</u>	<u>-</u>	<u>-</u>	<u>41,745,039</u>
OPERATING LOSS AND DEFICIT OF REVENUES, GAINS, AND OTHER SUPPORT UNDER EXPENSES	(3,564,858)	-	-	(3,564,858)
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
Change in Net Unrealized Losses on Investments	<u>(3,153,323)</u>	<u>-</u>	<u>-</u>	<u>(3,153,323)</u>
DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ (6,718,181)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,718,181)</u>

Attachment II

Five Year Projection

**ALDRSGATE UNITED METHODIST RETIREMENT
COMMUNITY, INC.**
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
COMPILATION OF A FINANCIAL PROJECTION
FOR THE YEARS ENDING
DECEMBER 31, 2019 THROUGH 2023

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



TABLE OF CONTENTS

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT	1
PROJECTED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) FOR THE YEARS ENDING DECEMBER 31, 2019 THROUGH 2023	3
PROJECTED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDING DECEMBER 31, 2019 THROUGH 2023	4
PROJECTED BALANCE SHEETS DECEMBER 31, 2019 THROUGH 2023.....	5
SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES	
INTRODUCTION AND BACKGROUND INFORMATION	6
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	20
MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES AND ENTRANCE FEES	23
MANAGEMENT'S BASIS FOR PROJECTION OF EXPENSES	30
MANAGEMENT'S BASIS FOR PROJECTION OF OTHER ITEMS.....	33



INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Aldersgate Life Plan Services, Inc.
Charlotte, North Carolina

Management is responsible for the accompanying projected financial statements of Aldersgate United Methodist Retirement Community, Inc. ("Aldersgate" or the "Company") (an affiliate of Aldersgate Life Plan Services, Inc.), which comprise the projected balance sheets as of December 31, 2019, 2020, 2021, 2022, and 2023 and the related projected statements of operations and changes in net assets (deficit), and cash flows as of and for each of the years then ending, and the related summaries of significant projection assumptions and accounting policies in accordance with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the projected financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these projected financial statements or the assumptions. Furthermore, even if Aldersgate is able to (the "Hypothetical Assumptions" as discussed in page 6):

- Construct the addition of 62 independent living units (the "Independent Living Expansion Project") at the costs and timing as projected;
- Fill the Independent Living Expansion Project as projected;
- Achieve projected payer mix for the nursing, memory care and assisted living units and resident entrance fee plan selections as projected; and,
- Achieves operating expenses as projected

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

Management's financial projection has been prepared for the specific purpose of presenting the projected statements of operations and changes in net assets, statements of cash flows and balance sheets of Aldersgate. This presentation is not intended to present the consolidated projected financial statements of Aldersgate since it excludes Aldersgate Holdings, Inc. ("Aldersgate Holdings"). Accordingly, the projection is not intended to be a presentation in conformity with U.S. generally accepted accounting principles since it excludes Aldersgate Holdings, which would be required to be consolidated under U.S. generally accepted accounting principles.

Board of Directors
Aldersgate Life Plan Services, Inc.

The accompanying projection information and this report are intended solely for the information and use of Management, the Board of Directors, and the North Carolina Department of Insurance (pursuant to the requirements of North Carolina General Statutes, Chapter 58, Article 64 and is included in the Company's disclosure statement filing), and is not intended to be and should not be used, by anyone other than these specified parties.

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



CliftonLarsonAllen LLP

Charlotte, North Carolina
May 30, 2019

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
PROJECTED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
ASSUMING THE HYPOTHETICAL ASSUMPTION NOTED ON PAGE 6
FOR THE YEARS ENDING DECEMBER 31,
(000s Omitted)

	2019	2020	2021	2022	2023
Unrestricted Revenues, Gains and Other Support:					
Monthly Service Fee Revenue	\$ 18,966	\$ 20,927	\$ 21,609	\$ 22,407	\$ 23,382
Health Care Revenue	13,438	14,212	14,586	14,950	15,308
Amortization of Deferred Entrance Fees	2,899	3,349	3,952	4,568	5,191
Investment Income	1,175	1,281	1,249	1,317	1,390
Other Support	304	313	322	332	342
Net Assets Released from Restriction for Use in Operations	-	-	-	-	-
Unrestricted Contributions	245	250	255	260	265
Total Unrestricted Revenues, Gains and Other Support	37,027	40,332	41,973	43,834	45,878
Expenses:					
Nursing and Related Services	11,475	11,779	12,093	12,415	12,746
Dietary	5,193	5,339	5,489	5,642	5,801
Housekeeping	1,221	1,254	1,288	1,322	1,358
Laundry	310	319	328	338	348
Plant Operations and Maintenance	4,754	3,877	3,987	4,100	4,216
Administration	9,283	9,634	9,907	10,191	10,490
Interest Expense	6,277	5,751	5,617	5,498	5,373
Depreciation and Amortization	6,099	6,761	6,873	6,987	7,106
Total Expenses	44,612	44,714	45,582	46,493	47,438
Change in Net Deficit Without Donor Restriction	(7,585)	(4,382)	(3,609)	(2,659)	(1,560)
Change in Net Assets with Donor Restrictions	-	-	-	-	-
Change in Net Assets (Deficit)	(7,585)	(4,382)	(3,609)	(2,659)	(1,560)
Net Assets (Deficits), Beginning of Year	(12,571)	(20,156)	(24,538)	(28,147)	(30,806)
Net Assets (Deficits), End of Year	\$ (20,156)	\$ (24,538)	\$ (28,147)	\$ (30,806)	\$ (32,366)

See Summary of Significant Projection Assumptions and Accounting Policies
and Independent Accountants' Compilation Report

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
PROJECTED STATEMENTS OF CASH FLOWS
ASSUMING THE HYPOTHETICAL ASSUMPTION NOTED ON PAGE 6
FOR THE YEARS ENDING DECEMBER 31,
(000s Omitted)

	2019	2020	2021	2022	2023
Cash Flows from Operating Activities:					
Change in Net Assets (Deficit)	\$ (7,585)	\$ (4,382)	\$ (3,609)	\$ (2,659)	\$ (1,560)
to Net Cash Provided by Operating Activities					
Depreciation	6,053	6,715	6,827	6,941	7,060
Amortization of Deferred Marketing Costs	46	46	46	46	46
Amortization of Bond Discount	40	40	40	40	40
Amortization of Deferred Entrance Fees	(2,899)	(3,349)	(3,952)	(4,568)	(5,191)
Amortization of Deferred Financing Cost	324	324	324	324	324
Changes in Operating Assets and Liabilities:					
Accounts Receivable	16	(161)	(69)	(69)	(92)
Entrance Fee Receivable	16	(14)	(6)	(6)	(8)
Other Receivable					
Prepaid Expenses and Other Current Assets	1	(63)	(27)	(27)	(36)
Accounts Payable	(90)	-	153	102	153
Accrued Interest	(42)	(43)	(46)	(48)	(50)
Other Current Liabilities	(16)	-	3	2	3
Net Cash Provided by (Used in) Operating Activities	(4,136)	(887)	(316)	78	689
Cash Flows from Investing Activities:					
Change in Investments, Net	(9,683)	3,356	(1,572)	(1,551)	(1,880)
Routine Purchases of Property and Equipment	(2,548)	(1,648)	(1,697)	(1,748)	(1,801)
Purchases of Property and Equipment - Independent Living Expansion Project	(7,001)	-	-	-	-
Construction Retainage	(2,046)	-	-	-	-
Deferred Marketing Costs	(30)	-	-	-	-
Change in Assets Whose Use is Limited, Net	2,251	(215)	(228)	(237)	(243)
Net Cash Provided by (Used in) Investing Activities	(19,057)	1,493	(3,497)	(3,536)	(3,924)
Cash Flows from Financing Activities:					
Proceeds from Long-Term Debt	11,305	-	-	-	-
Payments of Long-Term Debt	(15,685)	(7,133)	(2,630)	(2,744)	(2,873)
Proceeds from Entrance Fees - Existing	10,172	10,343	10,634	10,797	10,882
Proceeds from Entrance Fees - Independent Living Expansion Project	24,249	-	-	-	-
Change in Entrance Fee Deposits	(3,610)	-	-	-	-
Entrance Fee Refunds	(3,215)	(3,816)	(4,134)	(4,557)	(4,717)
Net Cash Provided by (Used in) Financing Activities	23,216	(606)	3,870	3,496	3,292
Change in Cash and Cash Equivalents	23	-	57	38	57
Cash and Cash Equivalents, Beginning of Year	1,649	1,672	1,672	1,729	1,767
Cash and Cash Equivalents, End of Year	\$ 1,672	\$ 1,672	\$ 1,729	\$ 1,767	\$ 1,824
Supplemental Disclosure of Cash Flow Information:					
Cash Paid During the Year for Interest	\$ 6,035	\$ 5,510	\$ 5,379	\$ 5,262	\$ 5,139

See Summary of Significant Projection Assumptions and Accounting Policies
and Independent Accountants' Compilation Report

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
PROJECTED BALANCE SHEETS
ASSUMING THE HYPOTHETICAL ASSUMPTION NOTED ON PAGE 6
AT DECEMBER 31,
(000s Omitted)

	2019	2020	2021	2022	2023
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 1,672	\$ 1,672	\$ 1,729	\$ 1,767	\$ 1,824
Investments	23,404	20,048	21,620	23,171	25,051
Assets Limited as to Use, Current Portion	-	-	-	-	-
Accounts Receivable, Net	2,070	2,231	2,300	2,369	2,461
Receivable - Entrance Fees	180	194	200	206	214
Prepaid Expenses and Other Current Assets	810	873	900	927	963
Total Current Assets	28,136	25,018	26,749	28,440	30,513
Assets Limited as to Use					
Designated for Statutory Operating Reserve	8,259	8,478	8,704	8,942	9,183
Debt Service Reserve Fund - Series 2013 Bonds	3,514	3,514	3,514	3,514	3,514
Debt Service Reserve Fund - Series 2015 Bonds	2,410	2,410	2,410	2,410	2,410
Debt Service Reserve Fund - Series 2017A Bonds	1,239	1,239	1,239	1,239	1,239
Interest Fund - Series 2013 Bonds	927	885	842	796	748
Interest Fund - Series 2015 Bonds	1,200	1,200	1,200	1,200	1,200
Interest Fund - 2017A/2017B Bonds	45	45	45	45	45
Principal Fund - Series 2013 Bonds	810	848	893	938	988
Board Designated Funds	1,038	1,038	1,038	1,038	1,038
Donor Restricted	845	845	845	845	845
Total Assets Limited as to Use	20,287	20,502	20,730	20,967	21,210
Less: Current Portion	-	-	-	-	-
Assets Limited as to Use, Less Current Portion	20,287	20,502	20,730	20,967	21,210
Property and Equipment, Net	127,398	122,331	117,201	112,008	106,749
Deferred Marketing Cost	496	450	404	358	312
Other	212	212	212	212	212
TOTAL ASSETS	\$ 176,529	\$ 168,513	\$ 165,296	\$ 161,985	\$ 158,996
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts Payable and Accrued Expenses	\$ 4,488	\$ 4,488	\$ 4,640	\$ 4,742	\$ 4,895
Accrued Interest	2,084	2,041	1,995	1,947	1,897
Current Maturity of Long-Term Debt	7,133	2,630	2,744	2,873	3,001
Other Current Liabilities	88	88	91	93	96
Total Current Liabilities	13,793	9,247	9,470	9,655	9,889
Long-Term Liabilities:					
Long-Term Debt, Less Current Maturity	110,584	107,994	105,290	102,457	99,496
Less: Debt Issuance Cost	(1,627)	(1,303)	(979)	(655)	(332)
Long-Term Debt, Net	108,957	106,691	104,311	101,802	99,164
Deferred Revenue, Nonrefundable Portion of Resident Entrance Fees	27,626	30,225	32,388	34,029	35,096
Refundable Portion of Resident Entrance Fees	46,309	46,888	47,274	47,305	47,213
Total Long-Term Liabilities	182,892	183,804	183,973	183,136	181,473
Total Liabilities	196,685	193,051	193,443	192,791	191,362
Net Assets (Deficits):					
Without Donor Restriction	(21,001)	(25,383)	(28,992)	(31,651)	(33,211)
With Donor Restriction	845	845	845	845	845
Total Net Assets (Deficits)	(20,156)	(24,538)	(28,147)	(30,806)	(32,366)
TOTAL LIABILITIES AND NET ASSETS (DEFICITS)	\$ 176,529	\$ 168,513	\$ 165,296	\$ 161,985	\$ 158,996

See Summary of Significant Projection Assumptions and Accounting Policies
and Independent Accountants' Compilation Report

INTRODUCTION AND BACKGROUND INFORMATION

Basis of Presentation

The financial projection (the “Projection”) presents, to the best of management’s (“Management”) of Aldersgate United Methodist Retirement Community, Inc. (“Aldersgate” or the “Company”) (an affiliate of Aldersgate Life Plan Services, Inc.) knowledge and belief, the Company’s expected financial position, results of operations and cash flows as of December 31, 2019, 2020, 2021, 2022, and 2023 and each of the years then ending (the “Projection Period”).

Hypothetical Assumptions

A **projection**, although similar to a **forecast**, is a presentation of prospective financial information that is subject to one or more hypothetical assumptions. Management has included assumptions that are considered to be “Hypothetical Assumptions” as defined by the American Institute of Certified Public Accountants’ “Guide for Prospective Financial Information.” A Hypothetical Assumption is defined as follows: “An assumption used in a financial projection or in a partial presentation of projected information to present a condition or course of action that is not necessarily expected to occur, but is consistent with the purpose of the presentation.”

Management’s hypothetical assumptions, (the “Hypothetical Assumptions”) are that Aldersgate is able to:

- Construct the addition of 62 independent living units (the “Independent Living Expansion Project”) at the costs and timing as projected;
- Fill the Independent Living Expansion Project as projected;
- Achieve projected payer mix for the nursing, memory care and assisted living units and resident entrance fee plan selections as projected; and,
- Achieves operating expenses as projected.

Accordingly, the Projection reflects Management’s judgment as of May 30, 2019, the date of this projection, of the expected conditions and its expected course of action assuming the Hypothetical Assumptions.

The assumptions disclosed herein are the assumptions that Management believes are significant to the financial projection. There will usually be differences between projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Aldersgate purchased a parcel of land for \$745,000 in 2015. This parcel of land includes a church building and was purchased to provide alternative access to the Nursing Beds, as defined hereinafter, which will include a dedicated short-term stay section. Management established a separate corporation in 2015 called Aldersgate Holdings, Inc. (“Aldersgate Holdings”). Management transferred the land and building (subsequent to writing off of the value of the building) to Aldersgate Holdings in 2015. As such, as used hereinafter, the “Aldersgate” refers solely to the Company, exclusive of Aldersgate Holdings.

Management’s financial projection has been prepared for the specific purpose of presenting the projected statements of operations and changes in net assets (deficit), statements of cash flows and balance sheets of Aldersgate. This presentation is not intended to present the consolidated projected financial statements of Aldersgate since it excludes Aldersgate Holdings, Inc. (“Aldersgate Holdings”). Accordingly, the projection is not intended to be a presentation in conformity with U.S. generally accepted accounting principles since it excludes Aldersgate Holdings, which would be required to be consolidated under U.S. generally accepted accounting principles.

INTRODUCTION AND BACKGROUND INFORMATION (CONTINUED)

The accompanying financial projection information and report are intended solely for the information and use of Management, the Board of Directors, and the North Carolina Department of Insurance (pursuant to the requirements of North Carolina General Statutes, Chapter 58, Article 64 and is included in Aldersgate's disclosure statement filing), and is not intended to be and should not be used, by anyone other than these specified parties.

The Company

The Company is a not-for-profit corporation organized under the laws of the state of North Carolina. The Company, incorporated in 1945, was formed for the purpose of developing and operating a continuing care retirement community ("CCRC") in Charlotte, North Carolina known as "Aldersgate" (the "Community"). The Company has received a determination letter dated November 20, 1946 from the Internal Revenue Service ("IRS") stating that the Company is an organization exempt from federal income tax under Section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code"), as an organization described in Section 501(c)(3) of the Code.

The Company is governed by a voluntary board of directors (the "Board") that serves without compensation. The Board currently consists of 15 directors (the "Directors") who serve for a term of three years.

The Company is an affiliate of Western North Carolina Conference of the United Methodist Church (the "Conference"). All members of the Board are confirmed by the Conference; however, the Conference is not responsible in any way for the financial and contractual obligations of the Corporation.

The Company is an affiliate of Aldersgate Life Plan Services, Inc., (the "Parent") who is the sole member of the Company. Aldersgate Life Plan Services, Inc. also functions as the sole member of Aldersgate at Sharon, Inc., Aldersgate at Home, Inc., and Aldersgate at Shalom Park, Inc. These entities are related organizations to the Company. As of May 30, 2019, Aldersgate at Sharon, Inc. and Aldersgate at Shalom Park, Inc. are not operational and there are no related party transactions between the entities. Currently, the members of the Board of Directors of the Parent are also the members of the Board of Directors of Aldersgate at Sharon, Inc. and Aldersgate at Home, Inc. Additionally, certain actions of the Board of Directors of Aldersgate at Sharon, Inc. and Aldersgate at Home, Inc. require the consent of Aldersgate Life Plan Services, Inc., as more fully described in each of their respective bylaws.

Description of the Community

The Community is located on a 231-acre site at 3800 Shamrock Drive in Charlotte, North Carolina. The site includes a lake available for fishing, azalea gardens, a three-hole golf course and acres of land for walking, relaxing, and enjoying nature.

The Community currently consists of multiple stand-alone buildings, which total approximately 708,000 square-foot of space and which currently consists of 154 independent living apartments in two (2) residential buildings ("Epworth Place" and "Francis Residential Building"), and ninety-three (93) cottages, which consist of thirty-five (35) "Azalea View Cottages," sixteen (16) "Lake Ridge Cottages," and forty-two (42) "Wesley Glen Cottages." Also included within the Community is a forty-six (46) unit assisted living area, a sixty-one (61) unit memory support assisted living facility (known as the "Cuthbertson Village"), and the "Asbury Health and Rehabilitation Center," which currently consists of one-hundred and twenty (120) nursing units, and five (5) home for the aged units.

Currently, Ray Hall Community Center is a two-story, approximately 43,000 square-foot, building containing a chapel/multi-purpose center, wellness facility with aquatic center and exercise room, administrative spaces and a two (2) story living room with a fireplace and balcony overlook. The overall plan is designed around a courtyard.

INTRODUCTION AND BACKGROUND INFORMATION (CONTINUED)

Renovations on the Ray Hall Community Center were completed in 2017 with proceeds from the issuance of the 2017 A Bonds (defined hereafter). The Ray Hall Community Center serves the entire Community and includes a new dining room, beauty and spa salon, activity and media rooms, lounge and bar, outdoor terrace, executive and marketing office, and a winter garden.

The Community provides services through its independent living, assisted living, memory care and nursing facilities. The following descriptive categories are utilized throughout the Projection Period:

Independent Living Units

- The Epworth Place Independent Living Apartments (80) and the Francis Residential Building (74) total 154 independent living units, are collectively referred to as the “Existing Independent Living Apartments.”
- Azalea View Cottages (35), Lake Ridge Cottages (16) and Wesley Glen Cottages (42) total 93 independent living units, are collectively referred to as the “Independent Living Cottages.”
- Collectively, the Existing Independent Living Apartments and the Independent Living Cottages are referred to as the “Existing Independent Living Units.”

Assisted Living Units

- Cuthbertson Village consists of 61 memory care units, also referred to as the “Memory Support Suites.” During June 2016, Management completed a 16-unit expansion of the Memory Support Suites (the “Recent Expansion”), increasing the total from 45 to 61 units.
- Parker Terrace Assisted Living consists of 46 assisted living units, also referred to as the “Standard Assisted Living Units.”

Nursing

- Asbury Health and Rehabilitation Center (the “Nursing Beds”), which opened in 2017 and replaced Asbury Care Center (“Prior Nursing Beds”), currently consists of 120 nursing beds (the “Existing Nursing Beds”), as well as 5 homes for the aged beds. A portion of the Series 2015 Bonds, as defined hereinafter, was used to construct the Nursing Beds and five home for the aged beds (the “Home for the Aged Beds”), in an approximately 140,000 square feet building. Of the total nursing beds, 120 nursing beds are operated under an open Certificate of Need allowing for direct admissions from the greater community as well as members of the Community and are Medicare certified. In addition, 20 of the nursing beds are duly certified by Medicare and Medicaid. All rooms are private rooms with European showers. It contains support facilities such as a chapel, kitchen, beauty/barber shop, and special medical offices for dentist, podiatrist, and a full range of therapy services. It also offers community living areas, activity rooms and craft facilities.

Effective April 2018, the Company transitioned its home health services out of the Community and into a separate legal entity, Aldersgate at Home, Inc. which is not a subsidiary of Aldersgate United Methodist Retirement Community, Inc. The Company received a management fee of approximately five percent of revenues of Aldersgate at Home, Inc., which is included in the projected statements of operations and changes in net assets (deficit). Beginning in 2019, Aldersgate and Aldersgate at Home, Inc. will pay a management fee of approximately five percent of revenue to Aldersgate Life Plan Services, Inc.

In furtherance of Aldersgate's mission to provide a benefit to the greater community of Charlotte, Aldersgate leases certain of its real property to organizations serving the greater community. Under a majority of these leases, with the exception of the leases to Branch Banking and Trust Company, SPRINTCOM, Inc., BMA of North Carolina, Inc., and Hospice & Palliative Care Charlotte Region, the organizations remit a nominal rent payment of \$1.00 per year to Aldersgate. Additionally, Aldersgate provides utilities pursuant to the lease between Aldersgate and OurBRIDGE, Inc. during the Summer Camp Period, as defined in the lease.

INTRODUCTION AND BACKGROUND INFORMATION (CONTINUED)

The following is a list of the leases between Aldersgate and the various organizations that lease real property on the campus. As indicated below, certain of these leases are located on real property which is encumbered by the Deed of Trust (the "Included Property Leases"), and certain of these leases are located on real property which is unencumbered by the Deed of Trust (the "Excluded Property Leases").

Included Property Leases:

- *Branch Banking and Trust Company*. This company utilizes space on Aldersgate's property to provide general banking services to both residents of the Community as well as the greater community of Charlotte.
- *SPRINTCOM, Inc.* This corporation leases approximately 3,600 square-feet of property from Aldersgate on which it constructed an equipment base station and antenna structure.
- *Hospice & Palliative Care Charlotte Region ("HPCCR")*. This company will utilize space within the new Skilled Nursing Facility as a six (6) bed hospice and general inpatient unit.

Excluded Property Leases:

- *Charlotte-Mecklenburg Parks and Recreation*. A portion of The Methodist Home Park came from land designated for that use by Aldersgate and became an important part of the development of the Eastway/Shamrock community recreation area.
- *The Western North Carolina Conference Memorial Center*. The regional headquarters for the United Methodist Church is located on the Northwest corner of the campus.
- *The Hezekiah Alexander Homesite*. The historic home and related period buildings are managed by the Charlotte Museum of History. Built in 1774, the two (2) story stone house is the oldest surviving structure in Mecklenburg County and is listed on the National Register of Historic Places. The museum collects, preserves, researches and interprets regional artifacts in order to capture and share the stories of the Charlotte region from settlement forward.
- *United Methodist Agency for the Retarded ("UMAR")*. This agency and ministry of the Conference operates three (3) group homes for developmentally challenged female residents of UMAR.
- *BMA of North Carolina, Inc. d/b/a Fresenius Medical Center ("BMA")*. This entity leases space for the use of a ten (10) station hemodialysis facility.
- *Carolina Farm Trust, Inc.* This entity leases land from Aldersgate for the purpose of creating and running an urban farm.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

INTRODUCTION AND BACKGROUND INFORMATION (CONTINUED)

The following table summarizes the type, number, approximate square footage, monthly fees and entrance fees for the Existing Independent Living Units:

Table 1
Existing Independent Living Units, Square Footage, Entrance Fees and Monthly Fees

Independent Living	Number of Units	Square Footage	Entrance Fees ⁽¹⁾⁽²⁾		Monthly Fees ⁽¹⁾⁽²⁾⁽³⁾	
			90% and 50% Refundable Plan	Non-Refundable Plan	90% & Non-Refundable Plan	50 % Refundable Plan
<i>Apartments</i>						
Epworth Place						
1 bedroom	45	585	\$129,838 - \$211,572	\$90,818 - \$148,204	\$2,504 - \$2,621	\$2,003 - \$2,098
2 bedroom	35	782 - 1,085	\$207,845 - \$298,945	\$145,503 - \$213,002	\$2,679 - \$2,894	\$2,142 - \$2,315
Francis Residential Building						
1 bedroom	24	750 - 955	\$188,195 - \$286,211	\$131,702 - \$200,477	\$3,001 - \$3,362	\$2,400 - \$2,689
2 bedroom	50	1,050 - 1,660	\$268,784 - \$456,687	\$188,078 - \$319,897	\$3,722 - \$5,285	\$2,978 - \$4,228
<i>Cottages</i>						
Azalea View Cottages						
2 bedroom	25	1,382 - 1,482	\$201,763 - \$263,251	\$141,234 - \$245,543	\$3,540	\$2,835
3 bedroom	10	1,672 - 1,754	\$295,510 - \$350,776	\$206,945 - \$239,110	\$3,728	\$2,981
Lake Ridge Cottages						
2 bedroom	16	1,598 - 1,867	\$401,070 - \$524,351	\$280,714 - \$368,320	\$4,436 - \$4,689	\$3,549 - \$3,749
Wesley Glen Cottages						
2 bedroom	42	1,548 - 2,035	\$429,338 - \$544,273	\$300,541 - \$380,996	\$4,283 - \$5,126	\$3,426 - \$4,101
Total Independent Living Units	<u>247</u>					

Source: Management

Notes:

- (1) The entrance fees and monthly fees pricing is effective as of January 1, 2019.
- (2) The second person entrance fee and monthly fee is \$26,000 and \$1,139, respectively.
- (3) As noted hereinafter, there is a lease option on independent living units with monthly fees ranging from \$3,121 to \$3,871 as of the date of the Projection Period. Also, the monthly lease fee can vary based on the selection of \$527 dining dollars, \$1,054 dining dollars, or \$1,581 dining dollars per month plan.

For assisted living units, memory support suites, and nursing beds, Management offers tier-one and tier-two base pricing. The distinction in pricing for tier-one and tier-two is based upon a Resident's acuity. For the Projection Period, Management has projected tier-one pricing as noted in the following tables.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

INTRODUCTION AND BACKGROUND INFORMATION (CONTINUED)

The following table summarizes the unit types, number, approximate square footage, and monthly fees for the Standard Assisted Living Units and the Memory Support Suites.

Table 2
Standard Assisted Living Units, Memory Support Suites, Square Footage and Monthly Fees

	<u>Number of Units ⁽²⁾</u>	<u>Square Footage</u>	<u>Monthly Fees ⁽¹⁾</u>
Assisted Living Units (Parker Terrace Assisted Living)			
Studio Efficiency	13	285	\$ 4,952
1 bedroom, 1 bath	33	570	5,144
Total Assisted Living Units / Wgt. Avg.	46	489	\$ 5,090
Memory Support Suites (Cuthbertson Village Memory Support)			
1 bedroom, 1 bath	45	235	\$ 6,085
1 bedroom, 1 bath	16	295	6,085
Total Memory Support Suites / Wgt. Avg.	61	251	\$ 6,085

Source: Management

Notes:

- (1) The monthly fees shown are as of January 1, 2019 for direct admissions and tier one base pricing.
- (2) While the table above indicates that Aldersgate has forty-six (46) available assisted units, it should be noted that it is licensed for a total of fifty-three (53) residents in the Assisted Living Facility.

The following table summarizes the unit types, number, approximate square footage and the daily fees for the Nursing Beds:

Table 3
Nursing Beds, Square Footage and Daily Fees

	<u>Number of Units</u>	<u>Square Footage</u>	<u>Daily Fees ⁽¹⁾</u>
Nursing Beds (Asbury Health and Rehabilitation Center)			
Private Nursing Beds	120	300	\$ 299
Home for the Aged Beds	5	300	\$ 239
Total Existing Nursing Beds/ Home for the Aged Beds / Wgt. Avg.	125	300	\$ 297

Source: Management

Notes:

- (1) The daily fees shown are as of January 1, 2019 for direct admissions and tier-one base pricing.

See Independent Accountants' Compilation Report

INTRODUCTION AND BACKGROUND INFORMATION (CONTINUED)

The Independent Living Expansion Project

In January 2019, the Company completed construction of additional independent living units (the “Independent Living Expansion Project” or the “Project”).

The Independent Living Expansion Project consists of 62 new independent living apartments in three mid-rise buildings (the “New Independent Living Apartments”) known as “Gateway.”

The New Independent Living Apartments are comprised of 62 apartments in three three-story buildings consisting of approximately 74,000 square feet. The following table summarizes the number of units, square feet, by unit type, monthly service fees, and entrance fees for the New Independent Living Apartments.

Table 4
New Independent Living Apartments
Unit Configuration, Size, Entrance Fees, and Monthly Fees

Independent Living	Number of Units	Square Footage	Entrance Fees ⁽¹⁾⁽²⁾		Monthly Fees ⁽¹⁾⁽²⁾	
			90% and 50% Refundable Plan	Non-Refundable Plan	90% & Non-Refundable Plan	50 % Refundable Plan
Magnolia View:						
1 bedroom	18	851 - 1,034	\$294,474 - \$343,137	\$206,131 - \$240,196	\$3,237 - \$3,755	\$2,594 - \$3,009
2 bedroom	20	1,192 - 1,456	\$410,751 - \$494,808	\$287,526 - \$346,365	\$4,338 - \$4,971	\$3,477 - \$3,979
Lake View:						
1 bedroom	3	985	\$345,518	\$241,862	\$3,701	\$2,965
2 bedroom	9	1,285 - 1,475	\$446,560 - \$512,596	\$312,591 - \$358,818	\$4,540 - \$4,971	\$3,630 - \$3,979
Park View:						
1 bedroom	3	985	\$345,518	\$241,862	\$3,701	\$2,965
2 bedroom	9	1,285 - 1,475	\$446,560 - \$512,596	\$312,591 - \$358,818	\$4,540 - \$4,971	\$3,630 - \$3,979
Total Independent Living Units	<u>62</u>					

Source: Management

Notes:

- (1) The entrance fees and monthly fees pricing is effective as of January 1, 2019.
- (2) The second person entrance fee and monthly fee is \$26,000 and \$1,139, respectively.

The design of the New Independent Living Apartments is sometimes referred to as “hybrids” since each building captures the socialization and community sometimes found in larger buildings along with some of the greater independent experience oftentimes associated with cottages. All buildings will have underground parking, and elevators to each building floor. Furthermore, most units will have at least two sides with windows, greatly enhancing lighting and visual access to the outdoors. The New Independent Living Apartments will offer an alternative to cottages or apartments.

INTRODUCTION AND BACKGROUND INFORMATION (CONTINUED)

Projected Utilization of Entrance Fee Plans

The following table summarizes Management’s projected utilization of the entrance fee plans:

Table 5
Projected Utilization of Entrance Fee Plans by
Existing Independent Living Units, First Generation Residents and Post-First
Generation Residents of the Independent Living Expansion Project

Entrance Fee Options	Existing Independent	First Generation	Post-First Generation
	Living Units	Independent Living Expansion Units	Independent Living Expansion Units
90% Refundable Plan	25%	60%	60%
50% Refundable Plan	40%	15%	15%
0% Refundable Plan	35%	25%	25%
Total	100%	100%	100%

Source: Management

Although residents select their refund plans initially, they can change their selection upon move-in so long as alternative plan contracts are available. Management has indicated that the projected selection patterns for Existing Independent Living Units are consistent with current experience in plan selections. For the Independent Living Expansion Units, Management has developed a strategic marketing plan that assumes the above indicated projected mix of plan selections.

Marketing of the New Independent Living Apartments

In October 2014, Management engaged Spectrum Consultants (“Spectrum”), a nationally recognized and experienced leader in the marketing and sales of senior living communities, to market the Existing Independent Living Units and the New Independent Living Apartments. In April 2015, Spectrum began an “Expression of Interest Campaign” whereby interested seniors were presented with a description of the Community and the Independent Living Expansion Project, including proposed pricing, collateral and renderings, and programs. Effective November 2018, Management ended their engagement with Spectrum Consultants and contracted with GlynnDevins to take over the marketing efforts for the New Independent Living Apartments. Management has been accepting deposits equal to 10 percent of the selected New Independent Living Apartments (the “Entrance Fee Deposit” or the “Deposit”). Management views the marketing campaign to be a critical element to the success of the marketing of the New Independent Living Apartments. As of April 30, 2019, the Community had received 44 Entrance Fee Deposits.

Charter Benefits

The Community, through March 31, 2017, offered to all depositors of the New Independent Living Apartments (“Charter Members”) a package of additional benefits (the “Charter Benefits”). Charter Benefits include the following:

- Charter Members have the opportunity to select the style and location of a new apartment or villa in the Gateway expansion and lock in the entrance fee.
- Charter Members choosing the 90% refundable entrance fee plan will actually receive a 95% refundable rate, instead of a 90% refundable rate.
- Charter Members will receive \$150 off of the first person monthly fee (for a Gateway residence) for life.

INTRODUCTION AND BACKGROUND INFORMATION (CONTINUED)

The benefit is limited to the monthly fee while living in independent living in a Gateway residence.

- Charter Members who have a second person monthly fee will, upon taking occupancy, receive a \$400 discount in the second person monthly fee for 5 years after occupancy. The benefit is limited to the monthly fee while living in independent living in Gateway.
- Charter Members will receive a credit of \$1,500 that can be used for upgrades offered during the options and selections process.

To receive any or all of the Charter Benefits listed above, Charter Members must pay the balance of the Entrance Fee and begin paying the Monthly Fee for the new Gateway residence within 90 days following notification of availability to move in.

Management has projected that approximately 65 percent of first generation residents will receive Charter Benefits.

A proposed timeline for the various projects, as provided by Management, is summarized in the following table:

Table 6
Projected Project Timelines

ite	Item
Independent Living Expansion Project	
January 2019	Substantial construction completed ⁽¹⁾
January 2019	Move-ins begin for the New Independent Living Apartments
December 2019	New Independent Living Apartments reach stabilized occupancy (95%)

Source: Management

Notes:

- (1) Management obtained certificate of occupancy for Magnolia View in January 2019 and for Lake View and Park View in May 2019.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

INTRODUCTION AND BACKGROUND INFORMATION (CONTINUED)

Independent Living Expansion Project Fill Schedule

Projected occupancy for the New Independent Living Apartments is based upon Management's assumed move-in schedule for these units.

The following table reflects Management's anticipated move-in schedule for the New Independent Living Apartments, as well as the projected occupancy assumption.

Table 7
New Independent Living Apartments
Projected Move-In Schedule

	Total Units	Net Move-ins	Cumulative Occupancy	Occupancy Percentage
2019				
January	62	4	4	6.5%
February	62	8	12	19.4%
March	62	7	19	30.6%
April	62	6	25	40.3%
May	62	6	31	50.0%
June	62	6	37	59.7%
July	62	5	42	67.7%
August	62	5	47	75.8%
September	62	5	52	83.9%
October	62	4	56	90.3%
November	62	2	58	93.5%
December	62	1	59	95.2%
Thereafter	62		59	95.2%

Source: Management

See Independent Accountants' Compilation Report

INTRODUCTION AND BACKGROUND INFORMATION (CONTINUED)

The following table summarizes the unit configuration at the Community prior to and after completion of the Independent Living Expansion Project:

Table 8
The Community – Unit Configuration

Level of Care	Existing	The Project		Total
		Eliminations	Additions	
Independent Living Units	247	-	62	309
Assisted Living Units	46	-	-	46
Memory Support Units	61	-	-	61
Nursing Beds	120	-	-	120
Homes for the Aged ⁽¹⁾	5	-	-	5
Total	479	-	62	541

Source: Management

Notes:

- (1) The Homes for the Aged beds are the licensing designation for assisted living. These beds are built to nursing specification but are intended to function as transitional beds between nursing and independent living, but operate seamlessly as part of the nursing beds. The Community is licensed for these 5 beds.

Residency Agreements

In order to reserve an independent living unit, a prospective resident must execute a residence and services agreement (the “Residency Agreement”) and provide payment of an initial entrance fee deposit equal to 10 percent of the applicable entrance fee pricing (the “Deposit”) for the selected independent living unit (the “Depositor”) within 10 days of signing the Residency Agreement. The Depositor must also provide a self-disclosure of his or her health and finances.

The Residency Agreement is a contract under which the Company is obligated, upon payment by the resident of an entrance fee and ongoing payments of the monthly fee to the Community, to provide certain services for life to the resident.

To be accepted for admission to the independent living units, a prospective resident must be at least 62 years of age (or if a couple, one spouse is at least 62 years of age) at the time residency is established, have financial assets adequate to pay the entrance fee, and have sufficient income to meet the anticipated monthly fee and other personal expenses not provided under the Residency Agreement (the “Resident”). The remaining 90 percent of the entrance fee is due on or before the date of occupancy (the “Occupancy Date”).

The Residency Agreement may be terminated by the Resident for any reason prior to occupancy by giving written notice. In the event of such termination, the Resident shall receive a refund of the entrance fee according to the reason for termination. However, if the Resident dies before occupying his or her residence or becomes incapable of meeting the physical, mental or financial requirements of admission, the Residency Agreement shall be cancelled and the entire entrance fee amount shall be refunded.

INTRODUCTION AND BACKGROUND INFORMATION (CONTINUED)

Services and Amenities

Under the Residency Agreement, payment of the entrance fee and monthly fee entitles all Residents to occupy the selected independent living unit and receive the following services and amenities at no additional cost:

- Utilities (except telephone and cable television);
- \$527 dining dollars per month; additional dining dollars are available for purchase;
- Routine maintenance;
- 24-hour emergency response service;
- 24-hour security;
- Planned social and recreational activities;
- Scheduled local transportation;
- Weekly housekeeping;
- Priority admission to assisted living, memory support, and skilled nursing services;
- Weekly laundry for flat linens;
- Covered and uncovered parking; and
- Use of grounds and common facilities.

Additional services that are available to Residents for an extra charge include, but are not limited to, additional dining dollars, telephone service and cable television, high-speed internet access, guest accommodations, additional housekeeping or maintenance services, medicine and medical supplies, tray service, and catering.

Health Care Benefit

The Residency Agreement offers a defined lifecare benefit (the “Health Care Benefit”) that is based on an equalized rate that Residents would pay while in the Standard Assisted Living Units, Memory Support Suites, or Nursing Beds (collectively defined as “Health Care”), regardless of the type of independent living unit they occupy. The lifecare benefit that is offered is as follows:

- Temporary Transfers to Health Care - If a Resident temporarily transfers to Health Care, the resident is required to pay both the monthly fee for their independent living unit and the applicable current private daily fee for the Health Care unit/bed.
- Permanent Transfers to Health Care - If a single Resident is permanently transferred to Health Care, the monthly fee adjusts to the monthly rate under a 90% refundable contract for a particular two (2) bedroom, two (2) bathroom independent living residence plus the cost of additional meals such that the Resident receives \$1,581 dining dollars per person (the “Health Care Benefit Rate”). The Health Care Benefit Rate is, therefore, a fixed amount payable by all Residents without regard to the type of independent living residence being released. In the case of a couple, if one resident remains in the independent living unit and the other is transferred to Health Care, the resident continues to pay the associated monthly fee for their independent living unit for a single occupant, plus the Health Care Benefit Rate. Should both residents enter Health Care, the Resident would release their independent living unit and each pay the Health Care Benefit Rate mentioned above.

Residents qualifying for the Health Care Benefit pay a one-time entrance fee and an ongoing monthly services fee. Should a Health Care Benefit Resident need additional services in Health Care on a permanent basis, the base monthly services fee will be changed to the then current Health Care Benefit Rate.

Residents not qualifying for the Health Care Benefit may be admitted to the Community at the discretion of Aldersgate, but the Health Care Benefit will not be applicable to them. These Residents will pay a one-time reduced entrance fee and an ongoing monthly services fee. Should a non-Health Care Benefit Resident need

INTRODUCTION AND BACKGROUND INFORMATION (CONTINUED)

additional services in Health Care on a permanent basis, the base monthly fee will be changed to the then current market rate per day for the appropriate level of care.

If it is determined that the Resident requires assisted living services or nursing care, the Community will provide assisted living services in its assisted living or memory support centers as described in the Residency Agreements and subject to changes in law. The Community will admit the Resident on a temporary or permanent basis as needed. Use of these nursing services requires the certification of such need by the Resident's attending physician and shall be subject to availability of an appropriate accommodation at the Community.

In the event that an appropriate accommodation is not available upon determination that a permanent transfer is required, the Community will arrange and pay for Resident's care in his/her residence by a certified home health care agency of the Community's choice, if reasonably possible, until an appropriate accommodation becomes available at Aldersgate. If home health care is not medically possible, the Community will arrange and pay for the Resident's care in another facility of the Community's choice that can provide the same care that would otherwise have been provided by the Community until space becomes available. The Community will pay for care in another facility to the same extent as if it were provided by the Community. The Resident will pay monthly or daily service fees to Aldersgate as if the Resident were living at the Community.

Residents are also responsible for any charges that are not covered by the Health Care Benefit Rate which may include drugs, supplies, ancillary services and level-of-care fees, if applicable.

Prior Residency Agreements

Prior to spring 2013, the Company offered a resident contract under which a Resident agreed to pay an initial entrance fee and a monthly fee, which entitles the resident to lifetime occupancy of a residential unit, subject to contractual conditions, with a modified discount for services in Health Care (the "Prior Residency Agreements"). Entrance fees paid under the Prior Residency Agreements were either non-refundable or 90 percent refundable upon termination.

Under the Prior Residency Agreements, Residents pay for services in the Health Care units as follows:

- Temporary Transfers - If a Resident temporarily transfers to Health Care, the Resident is projected to pay both the monthly fee for their independent living unit and the applicable current private daily rate within the Health Care unit.
- Permanent Transfers - If a single Resident is permanently transferred to Health Care, the Resident is required to pay the then current private pay monthly fee less a 20 percent discount (for Assisted Living Units or Memory Support Suites) or a 25 percent discount (for the Nursing Beds). In the case of a couple, if one Resident remains in the independent living unit and the other enters Health Care, they will continue to pay the associated monthly fee for their independent living unit, plus the corresponding discounted private pay rate mentioned above. Should both Residents require Health Care services, upon release of their independent living unit, the Residents pay the appropriate discounted private pay rate.

Refund Upon Termination

Aldersgate offers three (3) refund plans under the current Residency Agreement, as described below. As previously noted, under the Prior Residency Agreements, only the non-refundable and 90% refundable plan was offered to residents.

The table below describes refund provisions for both the current Residency Agreement and Prior Residency Agreement refund options.

INTRODUCTION AND BACKGROUND INFORMATION (CONTINUED)

**Table 9
Entrance Fee Options and Amortization Timing**

Entrance Fees Options	Amortization Timing
90% Refundable Plan ⁽¹⁾	For Residents who have chosen the 90% Refundable Entrance Fee option, the refund due shall be the entrance fee paid less: (i) ten percent (10%); (ii) a fee of one thousand dollars (\$1,000); and (iii) any amount due to the Company for monthly care or other unpaid services.
50% Refundable Plan	For Residents who have chosen the 50% Refundable Entrance Fee option, the refund due shall be the entrance fee paid less: (i) ten percent (10%) for any termination occurring in months one (1) through ten (10) after occupancy; (ii) one percent (1%) for each month that has elapsed between month eleven (11) and the date of withdrawal up to month fifty (50); (iii) a fee of one thousand dollars (\$1,000); and (iv) any amount due to the Company for monthly care or other unpaid services.
0% Refundable Plan	For Residents who have chosen the 0% Refundable Entrance Fee option, the refund due, if any, shall be the Entrance Fee paid, less: (i) ten percent (10%) for any termination occurring in months one through five (5) after occupancy, (ii) two percent (2%) for each month that has elapsed between month six (6) and the date of withdrawal up to month fifty (50); (iii) a fee of one thousand dollars (\$1,000); and (iv) any amount due to the Company for monthly care or other unpaid services. No part of the 0% Refundable Entrance Fee is Refundable after a Resident has resided at the Company for fifty (50) months.

Source: Management

Notes: (1) Residents who put down deposits on expansion units before March 31, 2018 had the option of a 95% Refundable Plan which has the same amortization schedule as the 90% Refundable Plan.

Under all entrance fee options, upon termination of the Residency Agreement either by the Resident, by the Company or as the result of the death of the Resident, the balance of the refundable portion of the entrance fee will be refunded to the Resident or the Resident’s estate after the Community has received a new entrance fee for the vacated unit. Based on its review of its Residency Agreements, Management has indicated that from January 1, 2002 through December 31, 2016, it offered a refund policy such that refunds would be paid the earlier of unit reoccupancy or 2 years from when the refund obligation arose. Management has indicated that as of May 2019, there are 31 contracts that still had this refund provision.

Lease Agreements

For a limited number of specified residences at the Community, the Company offers a lease option. The lease option provides access to the same services and amenities as other residents. Health Care services are available at market rates (no discounts). The total number of available independent living units referenced in Table 1 above includes the Leased Units. For the Leased Units, Aldersgate offers a thirteen (13) month lease agreement (the "Lease Agreement"). As of May 30, 2019, there are five (5) individuals living at the Community under the Lease Agreement (the "Limited Residents). While the Lease Agreement does not require payment of an entrance fee, it does require payment of a monthly fee at a higher rate than Residents who have executed the Residency Agreement and paid the entrance fee. The Lease Agreement provides the Limited Residents access to the same services provided to Residents, with exception of services provided in Health Care. Further, the Limited Residents receive limited access to the wellness clinic in Ray Hall Community Center. Should the Limited Resident require admission into Aldersgate's Health Care, the Limited Resident agrees to pay for the services provided therein at the then current monthly or daily rate for non-Residents. At the expiration of the initial thirteen (13) month term, the Limited Resident may extend the Lease Agreement on a month-to-month term or the Limited Resident has the option of becoming a Resident by executing the Residency Agreement. Management has indicated that it would limit the number of Lease Agreements to 12 during the Projection Period.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The Company maintains its accounting and financial records according to the accrual basis of accounting. Management's financial projection has been presented in conformity with guidelines for presentation of a projection established by the American Institute of Certified Public Accountants.

Use of Estimates

The preparation of prospective financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires Management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates made by the Company relate primarily to the life expectancy used to amortize deferred revenue from entrance fees and the collectability of accounts receivable. Actual results could differ from those estimates.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Investments

Investments are stated at fair value in the projected balance sheets. Investment income (including realized gains and losses on investments, interest and dividends) is included in decrease in net deficit without donor restriction unless restricted by donors or law. Management does not assume any changes in the underlying values of investments during the Projection Period.

Management continually reviews its investments portfolio and evaluates whether declines in the fair value of securities should be considered other-than-temporary. Factored into this evaluation are the general market conditions, the issuer's financial condition and near-term prospects, the recommendation of investment advisors and the length of time and extent to which the market value has been less than cost. Management has projected that no provision for other-than temporary decline during the Projection Period is necessary.

Revenue Recognition

Health service revenue provided from third-party payers and related accounts receivable are recorded at their estimated net realizable amounts. Revenue under third-party payer agreements is subject to audit, retroactive adjustment, and significant regulatory actions. Provisions for amounts due to or from third-party reimbursement agencies are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. It is reasonably possible that the recorded estimates will change in the near term. Third-party payers retain the right to review and propose adjustments to amounts recorded by the Company. In the opinion of Management, actual adjustments, if any, will not be materially different from the amounts recorded. Approximately 17%, 20%, 20%, 20%, and 20% of the Company's combined monthly service fee revenue and health care revenue is projected to be derived from Medicare as of December 31, 2019, 2020, 2021, 2022, and 2023, respectively, during the Projection Period. Medicaid revenue is projected to be less than 2% of the Company's combined monthly service fee revenue and health care revenue as of December 31, 2019, 2020, 2021, 2022, and 2023.

Allowance for Doubtful Accounts

The Company provides an allowance for uncollectible accounts using Management's estimate about the collectability of past due accounts. Payment for services is required upon receipt of invoice or claim submitted. Accounts that are past due more than 30 days, are individually analyzed for collectability.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories, included in other current assets in the projected balance sheets, consist primarily of medical supplies and are stated at the lower of cost or market, which is determined on a first-in, first-out basis.

Assets Limited as to Use

Assets limited as to use include assets designated by the board of directors for financial assistance to residents, held under bond agreements, restricted by donors, and required to fund the statutory operating reserve. Assets limited as to use are stated at fair value in the projected balance sheets. The board may, at its discretion, subsequently use assets it has designated for other purposes.

North Carolina General Statute section 58-64-33, as amended, establishes an operating reserve requirement that must be satisfied on an annual basis. Specifically, in years where the combined independent and assisted living occupancy of the licensed facility exceeds 90 percent, the operating reserve amount required equals 25 percent of projected operating expenses (adjusted for non-cash items). In years where the combined independent and assisted living occupancy is under 90 percent, a reserve equal to 50 percent of projected operating expenses (adjusted for non-cash items) must be established. To the extent that funds have been set aside for the payment of interest and principal on debt, interest expense and principal payments are excluded from the statutory operating reserve requirements.

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation. Assets contributed to the Community are recorded at fair market value at the date of contribution. Expenditures which materially increase values, change capacities, or extend useful lives are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 40 years.

Long-Term Debt and Deferred Issuance Costs

Deferred issuance costs represent expenses incurred in connection with the issuance of debt and are deferred and amortized over the life of the related indebtedness using the straight-line method which approximates the effective interest method. In accordance with Generally Accepted Accounting Principles (GAAP), deferred issuance costs are presented as a direct deduction from the face amount of the related borrowings and the amortization of deferred issuance costs are presented as a component of interest expense.

Deferred Marketing Costs

Deferred marketing costs have been incurred in the initial marketing of continuing care resident contracts. These costs are being amortized over the average life of the Residents' contracts.

Entrance Fees

Under the terms of the Residency Agreement, each resident member pays an entrance fee. The Residency Agreement requires a deposit of 10 percent of the entrance fee prior to occupancy, with the balance of the fee to be paid upon occupancy. The Company may offer a six-month deferral on payment of the entrance fee upon move-in to residents that meet criteria to qualify for the deferral program. Once a unit is occupied, entrance fees are recorded as refundable fees and deferred revenue. Deferred revenue is recognized as income using the straight-line method over the estimated life expectancy of the resident. Refundable fees are recorded as a liability until refunded at contract termination. The refundable portion of entrance fees is not amortized into income.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets with Donor Restrictions

The Company reports gifts of cash, other assets, and unconditional promises to give as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the projected statements of operations and changes in net assets (deficit) as net assets released from restrictions.

The Company reports gifts of land, buildings and equipment as an increase in net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash, other assets, and unconditional promises to give that must be used to acquire long-lived assets are reported as donor restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Company reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Contributions received, including unconditional promises to give, are recorded as support in the period received at their fair market values.

Net assets with donor restrictions also include net assets received that carry donor-imposed restrictions that stipulate that donated assets be maintained in perpetuity, but permit the Company to use or expend the income derived from donated assets.

Income and Real Property Taxes

Aldersgate is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (“IRC”), and is exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC. Aldersgate is also exempt from state income taxes. Aldersgate is subject to local real property taxes but may exclude up to 100% of the taxes due by providing a prescribed amount of community benefit, unreimbursed housing, and charitable health care services. Management has not projected Aldersgate owing any federal income or real property taxes.

Obligation to Provide Future Services

The Company enters into continuing care contracts with various Residents. A continuing care contract is an agreement between a Resident and the Company specifying the services and facilities to be provided to a Resident over his or her remaining life. Under the contracts, the Company has the ability to increase fees as deemed necessary.

The Company routinely calculates the present value of the estimated 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 entrance fees. If the present value of the cost of future services and use of facilities exceeds the deferred revenue from entrance fees and the present value of periodic fees, a liability is recorded with the corresponding charge to income (obligation to provide future services). For purposes of the projection, Management has assumed no future service obligation liability, consistent with the historical analysis that the Company has done.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

MANAGEMENT’S BASIS FOR PROJECTION OF REVENUES AND ENTRANCE FEES

Monthly Service Fee Revenue and Health Care Revenue

Projected monthly service fee revenue and health care revenue for Aldersgate are primarily assumed to be generated from monthly fees projected to be charged to residents and projected utilization of the Community. Management has projected resident service revenue based upon its historical operating experience and its plans for operating during the Projection Period.

The following table summarizes the projected annual rate increases during the Projection Period:

Table 10
Projected Monthly Fee and Entrance Fee Annual Inflation

Unit Type	2019 ⁽¹⁾	2020	2021	2022	2023
Existing Facilities:					
Independent Living Entrance Fee Increases	N/A	4.0%	4.0%	4.0%	4.0%
Independent Living Monthly Fee Increases	N/A	3.0%	3.0%	3.0%	3.0%
Assisted Living Monthly Fee Increases	N/A	3.0%	3.0%	3.0%	3.0%
Memory Support Monthly Fee Increases	N/A	3.0%	3.0%	3.0%	3.0%
Memory Support - Direct Admits	N/A	3.0%	3.0%	3.0%	3.0%
Skilled Nursing Per Diem Increases	N/A	3.0%	3.0%	3.0%	3.0%
Skilled Nursing Medicare	N/A	3.0%	3.0%	3.0%	3.0%
Skilled Nursing Medicaid	N/A	1.0%	1.0%	1.0%	1.0%
Project:					
Independent Living Entrance Fee Increases	N/A	4.0%	4.0%	4.0%	4.0%
Independent Living Monthly Fee Increases	N/A	3.0%	3.0%	3.0%	3.0%

Source: Management

Notes:

(1) For 2019 pricing, refer to Table 1, Table 2, Table 3, and Table 4.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

**MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES AND ENTRANCE FEES
(CONTINUED)**

Occupancy

The following tables summarize the projected Independent Living Unit occupancies of Aldersgate:

Table 11
Projected Independent Living Units Occupancy

<u>For the Years Ending December 31,</u>	<u>Average Number of Available Independent Living Units</u>	<u>Average Number of Occupied Units</u>	<u>Average Percent Occupancy</u>
2019 ⁽¹⁾	304	270	88.8%
2020	309	288	93.2%
2021	309	288	93.2%
2022	309	288	93.2%
2023	309	288	93.2%

Source: Management

Notes:

- (1) As noted in Table 6, the opening of the 62 unit Independent Living Expansion Project occurred in January 2019. As noted in Table 7, Management has projected achieving stabilized occupancy of 95% on the Independent Living Expansion Project in December 2019.

The projected double occupancy percentages for the Existing Independent Living Units and the New Independent Living Apartments are as follows:

Table 12
Projected Double Occupancy Percentage – Independent Living Units

<u>For the Years Ending December 31,</u>	<u>Existing Independent Living</u>	<u>New Independent Living Apartments</u>
2019 ⁽¹⁾	28%	45%
2020	30%	40%
2021	30%	35%
2022	30%	30%
2023	30%	30%

Source: Management

Notes:

- 1) As noted in Table 6, the opening of the 62 unit Independent Living Expansion Project occurred in January 2019.

See Independent Accountants' Compilation Report

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

**MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES AND ENTRANCE FEES
(CONTINUED)**

Health Care

Health care revenues are generated from services provided to residents transferring from the Independent Living Units, the Assisted Living Units, as well as, residents from the surrounding communities.

The following table summarizes the projected Assisted Living Unit occupancy of Aldersgate:

Table 13
Projected Assisted Living Units Occupancy

<u>For the Years Ending December 31,</u>	<u>Average Number of Available Standard Assisted Living Units</u>	<u>Average Number of Occupied Units</u>	<u>Average Percent Occupancy</u>
2019	46	43	93.5%
2020	46	43	93.5%
2021	46	43	93.5%
2022	46	43	93.5%
2023	46	43	93.5%

Source: Management

The following table summarizes the projected Memory Support Suites occupancy of Aldersgate:

Table 14
Memory Support Suites
Projected Memory Support Occupancy

<u>For the Years Ending December 31,</u>	<u>Average Number of Available Standard Assisted Living Units</u>	<u>Average Number of Occupied Units</u>	<u>Average Percent Occupancy</u>
2019	61	57	93.4%
2020	61	57	93.4%
2021	61	57	93.4%
2022	61	57	93.4%
2023	61	57	93.4%

Source: Management

See Independent Accountants' Compilation Report

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

**MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES AND ENTRANCE FEES
(CONTINUED)**

Occupancy of the Assisted Living Units is derived from residents transferring from the Independent Living Units and direct admissions. The following reflects Management's projected internal transfers:

Table 15
Projected Assisted Living and Memory Support Occupancy - Internal Transfers

<u>For the Years Ending December 31,</u>	<u>Assisted Living and Memory Support Suites Average Number of Occupied Units</u>	<u>Internal Transfers ⁽¹⁾</u>	<u>Average Percent Occupancy</u>
2019	100	26	26.0%
2020	100	24	24.0%
2021	100	23	23.0%
2022	100	22	22.0%
2023	100	22	22.0%

Source: Management

Notes:

- (1) Reflects the projected anticipated number of independent living residents that would occupy the Assisted Living Units.

The following table summarizes the projected Home for the Aged Beds occupancy:

Table 16
Home for the Aged Beds
Projected Home for the Aged Occupancy

<u>For the Years Ending December 31,</u>	<u>Average Number of Available Home for the Aged Beds</u>	<u>Average Number of Occupied Units</u>	<u>Average Percent Occupancy</u>
2019	5	4.5	90.0%
2020	5	4.5	90.0%
2021	5	4.5	90.0%
2022	5	4.5	90.0%
2023	5	4.5	90.0%

Source: Management

See Independent Accountants' Compilation Report

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

**MANAGEMENT’S BASIS FOR PROJECTION OF REVENUES AND ENTRANCE FEES
(CONTINUED)**

The following table summarizes the projected Nursing Beds occupancy of Aldersgate:

**Table 17
Nursing Beds
Projected Skilled Nursing Occupancy**

For the Years Ending December 31,	Average Number						SNF Beds Occupied	SNF Beds Available	Average Occupancy Percentage
	Permanent Residents	Direct Admit Private Pay Residents	Temporary Residents	Medicare Residents	Medicaid Residents				
2019	12.9	47.3	8.0	30.8	11.0	110.0	120	91.7%	
2020	16.2	36.3	8.0	38.5	11.0	110.0	120	91.7%	
2021	16.2	36.3	8.0	38.5	11.0	110.0	120	91.7%	
2022	16.2	36.3	8.0	38.5	11.0	110.0	120	91.7%	
2023	16.2	36.3	8.0	38.5	11.0	110.0	120	91.7%	

Source: Management

The following table summarizes the projected payer mix for the Nursing Beds:

**Table 18
Nursing Beds Days Mix**

	2019	2020	2021	2022	2023
Life Care Revenue	19%	22%	22%	22%	22%
Private Pay Revenue	43%	33%	33%	33%	33%
Medicare Revenue	28%	35%	35%	35%	35%
Medicaid Revenue	10%	10%	10%	10%	10%
	100%	100%	100%	100%	100%

Source: Management

Life Care Revenue is for the life care residents who pay the life care rate, as determined by the Residency Agreement, in health care. Private Pay Revenue is for direct admit residents who pay the market rate.

Benevolence

As part of operating the Community, Management has projected that benevolence is likely to be incurred on behalf of residents that may run low on funds or out of funds. Management has reduced its operating revenue to reflect benevolence cost during the Projection Period that may not be reimbursed by other sources (including contributions). The net reduction in revenue as a result of benevolence incurred approximates \$497,000 per year during the Projection Period, and is included as part of net resident service revenue.

Entrance Fees

The following table also summarizes projected entrance fees received and refunds paid, including those related to the New Independent Living Apartments upon its opening in January 2019 and during the remainder of the Projection.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

**MANAGEMENT’S BASIS FOR PROJECTION OF REVENUES AND ENTRANCE FEES
(CONTINUED)**

Table 19
Projected Entrance Fee Receipts and Refunds – Existing Independent Living Units and New Independent Living Apartments
(In Thousands)

	2019	2020	2021	2022	2023
Projected:					
Initial Entrance Fee Receipts from New Independent Living Apartments	\$ 24,249	\$ -	\$ -	\$ -	\$ -
Entrance Fee Receipts from Unit Turnover	10,172	10,343	10,634	10,797	10,882
Entrance Fee Refunds from Unit Turnover	(3,215)	(3,816)	(4,134)	(4,557)	(4,717)
Total Entrance Fees Received, Net of Refunds	\$ 31,206	\$ 6,527	\$ 6,500	\$ 6,240	\$ 6,165

Source: Management

Entrance fee receipts, net of refunds, are based on the available units of the New Independent Living Apartments coming online, available Existing Independent Living Units turning over, in addition to vacant units being filled. The following table presents Management’s projected unit fill and turnover.

Table 20
Projected Unit Fill and Turnover

	2019	2020	2021	2022	2023
Projected:					
Unit Turnover	34	35	34	34	33
Initial Fill	59	-	-	-	-
Total	93	35	34	34	33

Source: Management

Amortization of Deferred Entrance Fees

Projected earned entrance fees are based on the non-refundable portion of the entrance fees received each year amortized over the life expectancy of Residents in the Existing Independent Living Units and the Independent Living Expansion Project throughout the Projection Period.

Unrestricted Contributions

Contributions and gifts have been projected based upon the historical experience of the Company.

Other Support

Other support revenue is estimated based upon Management’s experience and consists principally of revenue from the following operations: hospice and dialysis support revenue, guest and employee meals, guest rooms, miscellaneous facility rentals, beauty salon, rebates and refunds, and other miscellaneous charges. Charges for other support revenue are assumed to change as a percentage of their applicable total revenue throughout the Projection Period. Management has projected other support revenue to equal approximately 0.9 percent of the monthly service fee and health care revenues during the Projection Period based upon its plans to operate the New Independent Living Apartments and its experience operating the Community.

Investment Income

Investment income consists of interest earned on available cash and cash equivalents, investments and assets limited as to use. During construction, interest expense on the Series 2017 Bonds has been netted with interest earned on the various trustee-held funds relating to the Independent Living Expansion Project. The following table reflects

See Independent Accountants’ Compilation Report

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

**MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES AND ENTRANCE FEES
(CONTINUED)**

Management's assumed realized investment earning rates on cash and cash equivalents, investments, and assets limited as to use during the Projection Period.

Table 21
Projected Interest Earning Rates

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Cash and Cash Equivalents	0.25%	0.25%	0.25%	0.25%	0.25%
Investments	4.00%	4.00%	4.00%	4.00%	4.00%
Assets Limited as to Use	2.00%	2.00%	2.00%	2.00%	2.00%

Source: Management

Management does not project any unrealized or realized gains/losses from the valuation or sale of investments during the Projection Period.

See Independent Accountants' Compilation Report

MANAGEMENT’S BASIS FOR PROJECTION OF EXPENSES

Operating Expenses

Operating expenses have been projected to be recognized during the month incurred. Management has projected operating expenses based primarily upon its historical experience operating the Company, adjusted primarily for inflation and also for increases in operating expenses as a result of the Independent Living Expansion Project.

Operating expenses are projected to increase at the inflation set forth below annually throughout the Projection Period (exclusive of increases related to the Project’s units).

Table 22
Projected Expense Inflation

	2019 ⁽¹⁾	2020	2021	2022	2023
Salary Expense	n/a	2.50%	2.50%	2.50%	2.50%
Non-Salary Expense	n/a	3.00%	3.00%	3.00%	3.00%

Source: Management

Notes:

(1) 2019 operating expenses are based on Management’s 2019 budget.

The specific basis for major expense items were formulated by Management and are discussed below.

Salaries and Benefits

Management has projected salaries and wages based upon its historical operating experience and expectations for servicing Aldersgate. Management’s projection also includes additional staff relating to the Independent Living Expansion Project.

Management has projected that salaries and wages would increase primarily as a result of wage increases of approximately 2.5% for each during the Projection Period.

Employee benefits and payroll taxes are assumed to include FICA, unemployment taxes, workers’ compensation, health insurance, and other miscellaneous benefits.

Non-Salary Related Operating Expenses

Nursing and Related Services

Non-salary costs in this department include Management’s estimate of the costs of operating the standard Assisted Living Units, Memory Support Suites, and the Nursing Beds. These non-salary costs include costs for pharmacy, therapy, ancillary, lab supplies, equipment rental and other miscellaneous costs incurred in the provision of health care services. Management assumes that these costs would vary with changes in occupancy levels and inflation.

Dietary

Non-salary related costs of the food services department include Management’s estimate of the costs for raw food, contracted services, dietary supplies, equipment, linens and other such costs. Nutrition costs are projected to vary with changes in meal consumptions as a result of changes in occupancy levels and inflation.

Housekeeping and Laundry

Non-salary related costs of housekeeping and laundry services include Management’s estimate of the costs for contract services, supplies, and other miscellaneous costs associated with providing housekeeping and laundry

MANAGEMENT’S BASIS FOR PROJECTION OF EXPENSES (CONTINUED)

services to residents. Housekeeping and laundry costs are projected to vary with changes in occupancy levels and inflation.

Plant Operations

Non-salary related costs in this department include Management’s estimate of the cost for electricity, water, sewer, gas, sanitation, service contracts, repairs, general maintenance, and operating supplies which Management assumes are primarily fixed in nature, and adjusted to reflect changes in occupancy levels. Included in Plant operations in 2019 is a one-time expense of approximately \$984,000 associated with the demolition of a building. Plant operations costs are projected to vary with changes in occupancy levels and inflation.

Administration

Non-salary related costs of administration are projected to include Management’s estimate of costs for professional fees, insurance, fundraising, supplies, and other miscellaneous costs. In addition, non-salary related costs of marketing and sales are projected to include Management’s estimates of costs for advertising, print and online materials and website, contract services, professional fees, and other miscellaneous costs.

Interest Expense

Interest expense is projected related to the debt service requirements of the Company’s existing debt.

Depreciation and Amortization

Property and equipment are projected to be depreciated over their estimated useful lives by the straight-line method. Amortization expense of deferred marketing costs is projected based on the average life expectancy of the new residents of the Independent Living Expansion Project.

Property Taxes Expense

Management has not projected property taxes based on its historical experience.

The following provides additional description of Management’s assumptions on non-salary related operating expenses for the Independent Living Expansion Project and is included in the same operating expenses sections noted above.

Independent Living Expansion Project Expenses

Non-salary related operating expenses of the dining services, activities and transportation services, and housekeeping, laundry and security services departments are projected beginning with the opening of the Independent Living Expansion Project in January 2019 and assumed to increase during the fill up period based upon occupancy levels, and by 3.0 percent annually thereafter during the remainder of the Projection Period.

Non-salary related operating expenses of the general and administrative services department, excluding marketing costs, are projected beginning with the opening of the Independent Living Expansion Project in January 2019 and inflated by 3.0 percent annually thereafter during the remainder of the Projection Period. Management has projected marketing costs incurred during the fill up of the Independent Living Expansion Project will be funded from proceeds of the Series 2017 Bonds and capitalized and amortized on a straight line basis over the average life expectancy of the initial residents occupying the Independent Living Expansion Project. Marketing costs incurred after the fill up of the Independent Living Expansion Project are expensed and inflated by approximately 3.0 percent per annum.

Non-salary related operating expenses of plant operations, maintenance and insurance are projected beginning with the opening of the Independent Living Expansion Project in January 2019 and are inflated by 3.0 percent annually through the remainder of the Projection Period.

MANAGEMENT'S BASIS FOR PROJECTION OF EXPENSES (CONTINUED)

Management has projected the Company will not pay property taxes related to the Independent Living Expansion Project based upon the historical treatment of the Existing Community.

MANAGEMENT'S BASIS FOR PROJECTION OF OTHER ITEMS

Current Assets and Current Liabilities

Cash and Cash Equivalents

Cash and cash equivalent balances for the Projection Period are based on the results of the Projected Statements of Cash Flows.

Accounts Receivable – Residents

Resident accounts receivable, net of an allowance for non-collectible accounts, is projected based on historical levels which is approximately 23 days of total resident revenues.

Receivable – Entrance Fees

Receivable – entrance fees is a deferred entrance fee program that was established to allow residents to move into the Community in advance of payment of their entrance fee. This occurs generally in cases where a personal residence was to be sold, the proceeds of which were to be used to fund the entrance fee. Receivable - entrance fees are projected based on historical levels.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets are projected based upon Management's estimate of 9 days of non-capital operating expenses (excluding depreciation, amortization, and interest) throughout the Projection Period.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses is projected based upon historical levels, which is approximately 51 days of non-capital operating expenses (excluding depreciation, amortization, and interest) throughout the Projection Period.

Accrued Interest

Accrued interest is projected based upon the terms of the Series 2017 A and B Bonds, 2017 Bank Loan, Series 2015 Bonds and the Series 2013 Bonds (as defined subsequently hereinafter) during the Projection Period.

Assets Limited as to Use

Held by Trustee

In general, the following funds are required to be maintained by trustees of the Series 2017 Bonds, Series 2015 Bonds, and/or Series 2013 Bonds (as defined subsequently hereinafter):

Entrance Fee Fund – Pursuant to the Master Trust Indenture, first generation entrance fees related to the Independent Living Expansion Project are to be deposited into the entrance fee fund. Amounts on deposit in the entrance fee fund are assumed to be used to redeem the 2017 Taxable Loan. Subsequent to the repayment of the 2017 Taxable Loan, and assuming no events of default have occurred and are continuing under the Master Trust Indenture, any amounts remaining on deposit in the entrance fee fund are assumed to be related by the trustee to the Company. Management has assumed the Entrance Fee fund would be fully released as of December 31, 2019

MANAGEMENT’S BASIS FOR PROJECTION OF OTHER ITEMS (CONTINUED)

Debt Service Reserve Funds – The Company is required to maintain a debt service reserve fund related to the Series 2017A Bonds, Series 2015 Bonds, and the Series 2013 Bonds. The debt service reserve fund is intended to be utilized should the Company not be able to meet its scheduled interest and principal payments. Management assumes no draw against the debt service reserve funds will be made during the Projection Period.

Series 2013 Interest Fund / Principal Fund – The interest fund and principal fund represents advance payments of bond principal and interest made by the Company to the trustee to make the principal payments and the interest payments to the owners of the Series 2013 Bonds.

Series 2015 Interest Fund – The interest fund represents advance payments of bond interest made by the Company to the trustee to make the interest payments to the owners of the Series 2015 Bonds.

Series 2017A/2017B Interest Fund – The interest fund represents advance payments of bond interest made by the Company to the trustee to make the interest payments to the owners of the Series 2017A and Series 2017B Bonds.

Held by Corporation

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

Designated for Statutory Operating Reserve – The Community is required to maintain a statutory operating reserve. The combined occupancy in the Existing Independent Living Units, the Memory Support Suites, and the Assisted Living Units is assumed to be greater than 90 percent throughout the Projection Period.

Board Designated – The Board has designated certain amounts to be held for future financial assistance to residents.

Donor Restricted – Certain donors have placed temporary or permanent restrictions on the use of their contributions.

Designated for Statutory Operating Reserve - North Carolina Statutory Operating Reserve Requirement – Section 58-64-33 of the General Statutes of North Carolina, as amended, requires that all continuing care facilities maintain operating reserves equal to 50 percent of the total operating costs (as defined in Section 58-64-33) (or 25 percent of the total operating costs if such facilities maintain an occupancy level in excess of 90 percent and the North Carolina Commissioner of Insurance so approves) forecasted for the twelve-month period following the period covered by the most recent annual statement filed with the North Carolina Department of Insurance. Such operating reserves may only be released upon approval of the North Carolina Commissioner of Insurance.

The following reflects the operating reserve requirements as forecasted by Management.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

MANAGEMENT'S BASIS FOR PROJECTION OF OTHER ITEMS (CONTINUED)

Table 24
Projected Property and Equipment Additions
(In Thousands)

	2019	2020	2021	2022	2023
Independent Living Expansion Project	\$ 7,001	\$ -	\$ -	\$ -	\$ -
Routine Capital Additions	2,548	1,648	1,697	1,748	1,801
Total	<u>\$ 9,549</u>	<u>\$ 1,648</u>	<u>\$ 1,697</u>	<u>\$ 1,748</u>	<u>\$ 1,801</u>

Source: Management

The following table reflects projected property and equipment, net, at December 31:

Table 25
Projected Property and Equipment at December 31
(In Thousands)

	2019	2020	2021	2022	2023
Land and Improvements	\$ 12,357	\$ 12,357	\$ 12,357	\$ 12,357	\$ 12,357
Buildings and Improvements	159,811	161,047	162,320	163,631	164,982
Furniture, Fixtures, and Equipment	25,442	25,854	26,278	26,715	27,165
Vehicles	857	857	857	857	857
Capitalized Interest	1,238	1,238	1,238	1,238	1,238
Total	199,705	201,353	203,050	204,798	206,599
Less: Accumulated Depreciation	(72,307)	(79,022)	(85,849)	(92,790)	(99,850)
Property and Equipment, Net	<u>\$ 127,398</u>	<u>\$ 122,331</u>	<u>\$ 117,201</u>	<u>\$ 112,008</u>	<u>\$ 106,749</u>

Source: Management

Long-Term Debt and Interest Expense

The Company's long-term debt, as of December 31, 2018, is comprised of the following:

Existing Long-Term Debt

The Company's existing outstanding long-term debt totaled approximately \$122,461,095 at December 31, 2018, which was comprised of the following:

- \$31,260,000 of Series 2013 Bonds – In October 2013, the North Carolina Medical Care Commission issued its \$38,025,000 Retirement Facilities First Mortgage Revenue Refunding Bonds (Aldersgate), Series 2013 (the "2013 Bonds"). The proceeds of the 2013 Bonds were used to refund the then outstanding 2009 and 2010 Bonds, to fund a debt service reserve fund, and to pay certain costs incurred in connection with the authorization and issuance of the 2013 Bonds. Principal payments on the 2013 Bonds began in July 2014 and extend through July 2035. Interest on the 2013 Bonds is paid semi-annually with interest rates ranging from 2% to 6.25%.
- \$49,240,000 of Series 2015 Bonds – In November 2015, the North Carolina Medical Care Commission issued its \$49,240,000 Retirement Facilities First Mortgage Revenue Refunding Bonds (Aldersgate), Series

See Independent Accountants' Compilation Report

MANAGEMENT’S BASIS FOR PROJECTION OF OTHER ITEMS (CONTINUED)

2015 (the “2015 Bonds”). The proceeds of the 2015 Bonds were used to finance the cost of Asbury Health and Rehabilitation Center which was completed in October 2017, refinance the cost of the completion of the memory support suites expansion, which was completed in August 2016, to fund a debt service reserve fund, and to pay certain costs incurred in connection with the authorization and issuance of the 2015 Bonds. Principal payments on the 2015 Bonds begin in July 2032 and extend through July 2045. Interest on the 2015 Bonds is paid semi-annually with interest rates ranging from 4.7% to 5.0%.

- \$19,080,000 of Series 2017A Bonds – In May 2017, the North Carolina Medical Care Commission issued its \$19,080,000 Retirement Facilities First Mortgage Revenue Refunding Bonds Series 2017A (the “2017A Bonds”). The proceeds of the 2017A Bonds were used to refund a prior 2016 bank loan, finance the costs of constructing, renovating, equipping, and furnishing the Ray Hall Community Center Expansion, to acquire a piece of land, to fund a debt service reserve fund, and to pay certain expenses incurred in connection with the issuance of the Series 2017A Bonds. Principal payments on the 2017A Bonds begin in July 2020 and extend through June 2047. Interest on the 2017A Bonds is paid semi-annually with interest rates ranging from 2.5% to 4.5%.
- \$13,309,912 of Series 2017B Bonds – In May 2017, the North Carolina Medical Care Commission issued its \$15,712,645 Retirement Facilities First Mortgage Revenue Refunding Bonds Series 2017B (the “2017B Bonds”). The proceeds of the 2017B Bonds were used to construct, equip, furnish, and market the Independent Living Expansion Project, fund routine capital improvements to buildings throughout the Company’s campus, and to pay certain expenses incurred in connection with the issuance of the Series 2017B Bonds. Principal payments on the 2017B Bonds begin in July 2019 and extend through June 2044. The 2017B Bonds is a draw down loan. Monthly interest payments began in July 2017 at a variable rate based upon 67% of the sum of the 30-day LIBOR, calculated on the basis of an actual 360-day year, plus a credit spread. As noted on the projected statements of cash flows, the Series 2017B Bonds is projected to be fully drawn down during 2019.
- \$9,571,183 Taxable Loan – In May 2017, the Company entered into a taxable loan agreement (“2017 Taxable Loan”) with a financial institution for an amount not to exceed \$18,473,050. The 2017 Taxable Loan consists of a bank placed variable rate taxable loan whose principal will be funded on a draw down basis. The 2017 Taxable Loan has monthly interest payments which began in June 2017. The interest rate is based upon 100% of the sum of the 30-day LIBOR, calculated on the basis of an actual 360-day year, plus a credit spread. The 2017 Taxable Loan is assumed to mature January 1, 2020. Principal payments will occur based upon the anticipated availability of entrance fee receipts relating to the Independent Living Expansion Project. As noted on the projected statements of cash flows, the Taxable Loan is projected to be fully drawn down during 2019.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

MANAGEMENT'S BASIS FOR PROJECTION OF OTHER ITEMS (CONTINUED)

The following table presents a summary of the assumed annual principal payments for the Company's long-term indebtedness, which is presented on a December 31, fiscal year basis.

Table 26
Schedule of Annual Principal Payments
(In Thousands)

Year	Series 2013 Bonds	Series 2015 Bonds	Series 2017A Bonds	Series 2017B Bonds	Taxable Bank Loan ⁽¹⁾	Total
2019	\$ 1,620	\$ -	\$ -	\$ 210	\$ 13,855	\$ 15,685
2020	1,695	-	390	430	4,618	7,133
2021	1,785	-	400	445	-	2,630
2022	1,875	-	410	459	-	2,744
2023	1,975	-	425	473	-	2,873
2024	2,075	-	440	486	-	3,001
2025	2,205	-	450	503	-	3,158
Thereafter	18,030	49,240	16,565	12,707	-	96,542
Total	<u>\$ 31,260</u>	<u>\$ 49,240</u>	<u>\$ 19,080</u>	<u>\$ 15,713</u>	<u>\$ 18,473</u>	<u>\$133,766</u>

Source: Management

Notes:

- (1) Reflects the payment of the Taxable Bank Loan based on the collection and availability of entrance fees related to the Independent Living Expansion Project.

See Independent Accountants' Compilation Report

Attachment III

Residence and Services Agreement

Mediation and Binding Arbitration Agreement

Reservation Agreement

Lease Agreement

Acknowledgment of Receipt of Disclosure Statement

RESIDENCE AND SERVICES AGREEMENT
Aldersgate United Methodist Retirement Community, Inc.
Charlotte, North Carolina

This Residence and Services Agreement (“Agreement”) is made this _____ day of _____, 20____, by and between Aldersgate United Methodist Retirement Community (“the Community” or “Aldersgate”) and _____ (individually and/or collectively “you” or “Resident” or “Member”). If individuals desiring to share a Residence at Aldersgate enter into this Agreement, the terms “you” or “Resident” or “Member” shall apply to them jointly and severally and to their survivor.

WHEREAS, the Community is owned by Aldersgate United Methodist Retirement Community, Inc., a non-profit corporation of Charlotte, North Carolina; and

WHEREAS, the Community presently owns and operates a continuing care retirement community located at 3800 Shamrock Drive, Charlotte, North Carolina; and

WHEREAS, the Member desires to enter into membership at the Community, and the Community is willing to accept the Member and to provide services to the Member, all to be accomplished in accordance with the terms and conditions set forth in this Agreement;

WHEREAS, the Member desires to reserve an apartment or cottage in the Community; NOW,

THEREFORE, the Member and the Community agree as follows:

I. RESIDENCE, COMMON AREAS, AMENITIES, PROGRAMS AND SERVICES

- A. Residence.** The Member shall have the exclusive right to occupy, use, and enjoy Residence number _____, a _____ type of Residence (“Residence”), subject to the terms of this Agreement and the policies and procedures of Aldersgate. The right to receive services under this Agreement shall apply exclusively to the named Member hereunder, and to no other individual(s). No person other than the Member entering into this Agreement shall be permitted to occupy the Residence without the express written permission of the Community as hereinafter provided.
- B. Options and Custom Features in the Residence.** The Community may provide and the Member may select certain Options/Custom Features at an additional charge for the Residence as described in the Community’s Options/Custom Features literature. Any such Options/Custom Features selected and paid for by the Member will become part of the Residence and the property of the Community upon occupancy or re-occupancy. Approval of all said items is at the discretion of the Community. The cost of any such Options/Custom Features will not become part of a refundable Entrance Fee.
- C. Common Areas and Amenities.** The Community currently provides common areas and amenities for the use and benefit of all Members which are subject to change upon

thirty (30) days' notice to Members.

D. Parking. The Community will provide lighted and well maintained parking areas for the Member's personal vehicle and his or her guests. Members living in the Gateway Project will be provided one parking space per residence in the underbuilding parking.

E. Services and Programs.

1. **Temporary Absence.** Temporary absence of the Resident from the Community for vacation, travel, business, medical care or otherwise does not change the Resident's obligation to pay the full monthly fee.
2. **Utilities.** The Community will furnish heating, air conditioning, electricity, water, sewer, trash removal, and municipal services. The Member is responsible for the charges related to telephone, cable television and internet service.
3. **Meals.** The Community will make available to Members nutritionally well-balanced meals daily served in Community dining areas. The cost of additional meals taken in excess of those provided by a selected meal plan will be billed on a monthly basis. Dining Dollars, with the equivalent point values to three meals a day, are included in the monthly or daily fee for Members living in Assisted Living or the nursing center ("Health Care Facility").
4. **Housekeeping Services.** The Community agrees to maintain the Residence by providing weekly housekeeping services including vacuum cleaning, dusting, dressing of beds, cleaning of baths and kitchens, and trash removal. Additional housekeeping may be scheduled at the request and expense of the Member.
5. **Laundry.** Bed and bath linens will be provided for all Members in Assisted Living and the Health Care Facility.
6. **Grounds Keeping.** The Community will furnish basic grounds keeping services including lawn, tree, and shrubbery care for those items provided by Aldersgate. You may plant items approved by authorized staff, and you will maintain those certain areas designated for such purpose.

7. **Maintenance and Repairs.** The Community will maintain and keep in repair its own improvements, furnishings, and equipment. The Member will be responsible for the cost of repairing damage to property of the Community caused by the negligence of the Member or any guest of the Member, ordinary wear and tear excepted.
8. **Transportation.** The Community will provide local transportation for the Member on a regular, scheduled basis, and transportation to local doctor and medical appointments without additional charge within an area designated by the Community when scheduled through the Life Enrichment department, within a designated timeframe. An additional charge may be made for transportation for special or group trips.
9. **Security.** The Community will provide twenty-four (24) hour staffing including a security patrol.
10. **Activities.** The Community will provide planned and scheduled social, recreational, spiritual, educational, and cultural activities; arts and crafts; wellness and health programs; and other special activities designed to meet the needs of the Member(s).
11. **Health Care Benefit.** If it is determined in the future by the Community and your medical services provider that you require assisted living services or nursing care, the Community will provide you with assisted living services in our assisted living or memory support centers (together referred to as “Assisted Living”) or nursing services in our nursing center (“Health Care Facility”), as described below and subject to changes in law.
 - a. **Admission.** The Community will admit you to Assisted Living or the Health Care Facility on a temporary or permanent basis as needed. Use of these assisted living services or nursing care shall require the certification of such need by the Member’s attending physician and shall be subject to availability of an appropriate accommodation at the Community.

In the event that space for you, for any reason, is not available in Assisted Living or the Health Care Facility upon determination that a permanent transfer is required, the Community will arrange and pay for your care in your Residence or in another facility of the Community’s choice as deemed appropriate by the Community and your medical services provider, if reasonably possible, until space becomes available in Assisted Living or the Health Care Facility. The Community will pay for care in another facility to the same extent as if the care were provided by the Community. The Member will pay monthly or daily service fees to Aldersgate as if the Member were in Assisted Living or the Health Care Facility. If the cost of care at the other facility is higher than at the Community, the Community will pay the difference.

- b. **Assisted Living.** The Community will provide to you, in an assisted living residence, services designed to assist with the activities of daily living in accordance with applicable North Carolina law. Services may include assistance with dressing, eating, bathing, toileting, medication administration and ambulating. Additional services, level of care fees and ancillary products may also be provided at additional charge.
- c. **Memory Support.** The Community will provide to you, in a memory support assisted living residence, services designed to assist with the activities of daily living in accordance with applicable North Carolina law. Services may include assistance with dressing, eating, bathing, toileting, medication administration and ambulating. Additional services and ancillary products may also be provided at additional charge.
- d. **Nursing Care.** The Community will provide licensed nursing care services to you. The care provided will include those services required by applicable law to be supervised or administered by a professional licensed nursing staff, e.g., medication administration, condition and behavior observation and assessment, creation and administration of a care plan, assistance with activities of daily living and communication with physicians and other care providers. You will be responsible for charges for drugs, supplies, and services above those included in the monthly or daily rate.
- e. **Fees and Charges.** In exchange for payment of your applicable Monthly Service Fee, the Community will provide assisted living services or nursing care to the extent that it is not covered by your insurance, Medicare, or any other governmental programs or entitlements which you are required to maintain under this Agreement, subject to the following:

Effect on Monthly Service Fee.

- 1) **Temporary Transfers.** A transfer is considered temporary when the condition that requires your transfer has the potential to be resolved in a manner which may allow you to return to your Residence. Your Residence will be held for your return.
 - a) **Single Occupancy.** Should you have a temporary need for Assisted Living or Health Care Facility services while you are still occupying your Residence, you will pay both the then-current Monthly Service Fee for your Residence and the then-current applicable pro-rated monthly rate at Assisted Living or the then-current daily rate at the Health Care Facility.
 - b) **Double Occupancy.** Should one or both Residents have a temporary need for Assisted Living or Health Care Facility services while still occupying the Residence, the Resident will continue to pay the then- current Monthly Service Fee less the then-current second person Monthly

Service Fee for the Residence. Additionally, each Resident requiring temporary care provided in Assisted Living or Health Care Facility, will be required to pay the then-current applicable pro-rated monthly rate at Assisted Living or the then-current daily rate at the Health Care Facility.

- c) **Temporary Utilization.** Temporary utilization of Assisted Living or Health Care Facility services does not constitute a change of accommodations subject to the provisions of Section IV. M. Change of Accommodations.
- 2) **Permanent Transfers.** A transfer is considered permanent when the condition that requires your transfer will not allow you to return to your Residence and the Residence has been vacated, or when the Resident chooses to move from their existing residence to another Aldersgate residence of their choice. This will incur a Transfer Fee of \$15,000 for the cost of refurbishment of the former residence. Residents seeking a permanent transfer due to health circumstances may request a transfer for a move into Epworth on a space available basis. A consideration will be made to waive the Transfer Fee in light of health circumstances.
- a) **Single Occupancy.** Should you have a permanent need for Assisted Living or Health Care Facility services, you will be required to release your Residence as provided in Section V. Your Monthly Service Fee will be initially adjusted to the market rate of the 90% Refundable Contract Option Monthly Service Fee for the two bedroom, two bathroom Sycamore type independent living residence plus the cost of additional meals such that you receive Dining Dollars with the equivalent point value to three (3) meals per person per day (the “Health Care Benefit Rate”).
 - b) **Double Occupancy.** Should one Resident have a permanent need for Assisted Living or Health Care Facility services, the Monthly Service Fee will be equal to the then-current Monthly Service Fee for the Residence for one person plus the Life Care rate. Should both Residents have a permanent need for Assisted Living or Health Care Facility services, Resident will be required to release the Residence as provided under Section V of the Agreement. The Monthly Service Fee will be initially adjusted to two times the Life Care rate.
- 3) **Additional Charges.** Residents will be responsible for all costs and charges associated with Assisted Living or the Health Care Facility services that are not covered by the monthly or daily rates for such care then in effect which may include drugs, supplies, therapies, ancillary charges, and level of care fees, if applicable. In the event of a temporary or permanent transfer, you will be responsible for all

costs of relocation.

12. **Nursing Care and Residential Clinic Services.**

a. **Nursing Services.**

- 1) **Staffing.** The Assisted Living and the Health Care Facility are staffed by licensed or certified nursing staff twenty-four hours per day.
- 2) **Medical Director.** The overall supervision of health care services by the Community, in addition to participation with its quality assurance programs, will be provided by a Medical Director who will be a licensed physician selected by the Community.
- 3) **Charges.** Current charges for Assisted Living and the Health Care Facility, as described above, are set forth in Exhibit A of this Agreement.
- 4) **Personal Physician.** The Member may choose to use the services of a personal physician and will be responsible for the charges by the physician.

b. **Residential Clinic Services:**

- 1) The Community will provide access to routine clinic services.
- 2) Additional periodic medical services may be coordinated through the Residential Clinic including but not limited to: pharmacy services, dental, podiatric, audiology and optical services; and laboratory tests. The Residential Clinic is available to coordinate scheduling of rehabilitative assessment and evaluation and may also coordinate the obtaining of wheelchairs and other medical equipment and supplies. The cost of such services shall not be covered by and are in addition to the charges described in Section II. The Member will be billed directly by the provider of the services.

II. **FINANCIAL ARRANGEMENTS**

- A. **Entrance Fees.** The Member agrees to pay to the Community an Entrance Fee as a condition of becoming a Member. In the case of a married couple paying a single Entrance Fee, the Entrance Fee paid is not allocated to each Member of the couple. Therefore, if one Member of the couple leaves the Community for any reason but the other Member remains, any refundable portion of the Entrance Fee belongs to the Member who remains in the Residence. In cases where two

Entrance Fees are paid for a single accommodation, for example related unmarried individuals, each Entrance Fee relates to the Member paying that Entrance Fee.

The Entrance Fee is non-transferable, non-interest bearing and shall be the property of the Community for use in accordance with the terms of this Agreement, and shall not be subject to the claims of creditors of the Member. Any refundable portion of the Entrance Fee shall be governed by Section VI of this Agreement.

- B. Entrance Fee Options.** The Member shall choose one of the following options. The Community may, for any lawful reason, limit availability of one or more of the following Entrance Fee options.

Entrance Fee Option	Amount of Entrance Fee	Amortization Schedule
90% Refundable	\$	Subject to the provisions set forth in Section VI of this Agreement, 10% of this Entrance Fee becomes non-refundable immediately upon occupancy.
50% Refundable	\$	Subject to the provisions set forth in Section VI of this Agreement, 10% of this Entrance Fee becomes non-refundable immediately upon occupancy and an additional 1% per month for months eleven through 50 becomes non-refundable until 50% of the Entrance Fee is no longer refundable.
0% Refundable	\$	Subject to the provisions set forth in Section VI of this Agreement, 10% of this Entrance Fee becomes non-refundable immediately upon occupancy and an additional 2% per month for months six through 50 becomes non-refundable until 100% of the Entrance Fee is no longer refundable.

The Member must notify the Community in writing of the selection of the Entrance Fee Option on or before the date that the balance of the Entrance Fee is paid as provided in Section II. C. 3. below. The Member may not change the option selected after the date the balance of the Entrance Fee is paid.

- C. Terms of Payment of the Entrance Fee.** The terms of payment of the Entrance Fee shall be as follows:

- Reservation Deposit.** An amount equal to ten percent (10%) of the selected Entrance Fee totaling \$_____ is due and payable within ten (10) days after the Member receives written notice of approval and upon execution of this Agreement.

2. **Balance of the Entrance Fee.** The balance of the total Entrance Fee for the Entrance Fee Option selected by the Member is due and payable when the Residence is declared by the Community to be ready for occupancy, (“Occupancy Date”) unless otherwise agreed to in writing by the Community.

D. **Fees.** In addition to the Entrance Fee, the Member agrees to pay a Monthly Service Fee that will be initially \$_____per month for one person and an additional \$_____per month for the second person. The Monthly Service Fee shall be due beginning on the Occupancy Date and will be prorated, if necessary, on a daily basis for the first and last months of occupancy. The Community may increase the Monthly Service Fee upon thirty (30) days’ written notice to you. It is our intention to make any adjustments to the Monthly Service Fee only once per year. The Monthly Service Fee shall be billed in advance to the Resident on or before the third (3rd) business day of each month, and shall be paid on or before the tenth (10th) day of the month.

Fees for Additional Services will be charged in accordance with the Additional Services Fee Schedule published by the Community. Charges for Additional Services shall be billed on or before the third (3rd) business day of the following month, and shall be paid on or before the tenth (10th) day of the month. Fees for Additional Services may be changed by the Community during the term of this Agreement as described in Section E. below.

Exhibit C to this Agreement identifies the Monthly Service Fee and Additional Services selected by the Member upon occupancy.

E. **Changes in Fees.** Fees are intended to meet the costs associated with the operation and management of the Community’s facilities, programs, and services described in this Agreement. The Community shall have the authority to change Fees from time to time during the term of this Agreement as the Community in its discretion deems necessary in order to reflect changes in costs of providing the Community’s facilities, programs, and services described herein consistent with operating on a sound financial basis and maintaining the quality of services called for herein. A thirty (30) day notice will be given to the Member before any adjustment in fees, charges, or scope of services to be provided becomes effective.

F. **Monthly Statements.** The Community will furnish the Member with monthly statements showing the total amount of fees and other charges which shall be payable by the tenth (10th) of each month. The Community may charge interest at a rate of one and one-half percent (1½%) per month on any unpaid balance.

III. **ADMISSION REQUIREMENTS AND PROCEDURES**

A prospective Member will become qualified for admission to the Community upon

satisfaction of the following provisions:

- A. **Age.** The entrance requirements for residence at the Community are non-discriminatory except as to age, and the Community is open to both married and single men and women of all races and religions and without regard to place of former residence. The applicant must be at least 62 years of age; for couples, one applicant must be at least 62 years of age.
- B. **Personal Interview.** The Member shall have an interview with a representative from the Community prior to taking residency. Upon review of all information required to be furnished herein, additional personal interviews may be requested by the Community.
- C. **Reservation Agreements.** The Member shall have entered into a Reservation Agreement prior to entering this Agreement.
- D. **Application Forms.** Prior to entering into this Agreement, the Member shall have submitted for approval a General Information form, a Personal Health History, and a Confidential Financial Statement, all on forms furnished by the Community.
- E. **Residence and Services Agreement.** Upon acceptance by the Community, the Member shall enter into this Agreement.
- F. **Notification.** The Community will notify the Member as early as possible of the Occupancy Date.
- G. **Health Requirements.** Prior to entrance to the Community, the Member shall submit a report of a physical examination made by a physician selected by the Member within thirty (30) days prior to occupancy. Cost of the examination will be borne by the Member. The report will become an integral part of the Member's record. It will serve as a baseline of information for the Community's staff and the Member's physician as they begin to assist the Member in maintaining optimum health and enjoyment of the Aldersgate community experience.
- H. **Financial Requirements.** The Member must have assets and income which will be sufficient under foreseeable circumstances to pay the financial obligations of the Member under this Agreement and to meet ordinary living expenses of the Member. The Community, at its discretion, may require the Member to annually furnish updated financial information.
- I. **Representations.** The Member affirms that the representations made in the General Information form, Personal Health History, and Confidential Financial Statement are true and correct and may be relied upon by the Community as a basis for entering into this Agreement. The Member hereby represents and warrants that he/she is capable of independent living and has assets and income

which are sufficient to meet ordinary and customary living expenses after assuming occupancy.

IV. **TERMS OF RESIDENCY**

- A. **Rights of Member.** The Member has the right to occupy, use, and enjoy the Residence, common areas, amenities, programs, and services of the Community unless this Agreement shall be terminated as provided herein. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by the Community and conveys only the rights of use and enjoyment as described in this Agreement.
- B. **Policies and Procedures.** The Member will abide by the provisions of the Community's Resident Handbook and such amendments, modifications, and changes to the Resident Handbook as may hereafter be adopted by the Community.
- C. **Changes in the Residence.** The Community has the right to modify the Member's Residence to meet the requirements of any applicable local, state or federal statute, regulation, or ordinance (*e.g.*, applicable fire or building codes). The Residence may not be used in any manner in violation of any zoning ordinances or other governmental law or regulation.
- D. **Visitors.** Guests may stay in a Member's accommodation for a maximum of thirty (30) consecutive nights with at least sixty (60) consecutive nights away before their next overnight visit with the Member. No person other than the Member may reside in the Residence without the approval of the Community.
- E. **Occupancy by Two Members.** In the event that two Members occupy a Residence under the terms of this Agreement, upon the permanent transfer to Assisted Living or Health Care Facility or the death of one Member, or in the event of the termination of this Agreement with respect to one of the Members, the Agreement shall continue in effect as to the remaining or surviving Member who shall have the option to retain the same Residence and pay the Monthly Fee applicable to single occupancy. Should the remaining or surviving Member wish to move to another Residence, the policies of the Community governing said Residence change of accommodation will prevail. The Member moving to Assisted Living or the Health Care Facility will pay the published rates for the applicable level of care as described in Section I. E. 11 of this Agreement.
- F. **Cohabitation Policy.** If a Member cohabitates with another Member while residing at Aldersgate, the Member who vacates his/her unit to move will be treated as a "related" non-married second occupant. The Member who is moving will be subject to his / her own entrance fee, the second person monthly fee with all rights and duties attendant to a "related" second person occupant. The Member who is moving will receive any applicable refundable

entrance fee from the unit he / she is vacating. Any refundable amount shall be paid to the withdrawing Member only when the Residence is reserved by a new Member and the new Member has paid his/her/their Entrance Fee.

- G. Marriage During Occupancy.** If a Member while occupying a Residence marries a person who is also a Member, the two Members may occupy the Residence of either Member if it is a residence designed for occupancy of two persons. Such married Members will be required to enter into the then current Residence and Services Agreement which will terminate any and all previous contracts or agreements with the Community. Such married Members will pay the Monthly Fee for double occupancy associated with the Residence occupied by them. In the event that a Member shall marry a person who is not a Member of the Community, the spouse may become a Member if such spouse meets all the then current requirements to reside in the Community and both Members of the couple enter into a then current version of the Residence and Services Agreement with the Community. The Member and spouse shall then pay the Monthly Fee for double occupancy associated with the Residence occupied by them. If the Member's spouse shall not meet the requirements of the Community for admission as a Member, the Member may terminate this Agreement in the same manner as provided in Section VI hereof with respect to a voluntary termination.
- H. Added Member.** Should Member desire to invite an individual to join the Member in sharing a Residence for which the Member paid the entire Entrance Fee and in which the Member is living alone, such person shall make application for entrance, and, if approved at the sole discretion of the Community, shall be admitted. The approved Members will occupy a unit no smaller than a two-bedroom apartment. Each applicant shall pay the separate full Entrance Fee applicable to the Residence in which they reside. One of the Members shall pay the Monthly Fee applicable to single occupancy and the second Member will pay the Monthly Fee applicable to double occupancy. At such time as one of the Members vacates the Residence, for whatever reason, the remaining Member shall pay the single occupancy Monthly Fee.
- I. Loss or Damage of Property.** The Community will obtain property and casualty insurance coverage on the buildings and grounds. Such coverage will not insure against loss or damage to your personal property or damage or injury to others caused by you. The Community shall not be responsible for the loss or damage of any property belonging to the Member due to theft, mysterious disappearance, fire or any other cause. The Community encourages Members to purchase appropriate renter's and comprehensive insurance.
- J. Health Insurance.** The Member agrees that he or she will enroll for Basic and Supplementary coverage under the federal Medicare program, if not so enrolled at the time of admission. If so enrolled, Member agrees to continue participation in these programs.

You also agree to execute all necessary forms to obtain payment of benefits which are or may be payable in the future to you or us for services provided hereunder.

You will be responsible for paying for all health care services that are not covered by the Community, Medicare (or an equivalent substitute policy approved by the Community), or Medicare supplemental insurance, as set forth in this Agreement. If you have any questions about such coverage, the Community will assist you in obtaining answers.

The following rules shall apply to payments made by the Medicare program on behalf of the Member at any times during which the Community is eligible to receive Medicare reimbursement for services provided to Members:

- Any reimbursement received for Medicare Part A services provided to the Member by the Community shall be accepted by Community as payment in lieu of daily service fees that otherwise would apply while living in the Health Care Facility, to the extent permitted under applicable Federal and State laws and regulations governing Medicare reimbursement.
- Any reimbursement received for Medicare Part B services provided to the Member by Aldersgate will be applied as a credit to the Community's fees for those services to the extent permitted under applicable State and Federal laws and regulations governing Medicare reimbursement.

Should the Member or the Member's legally-authorized representative apply for assistance under the Medicaid program, or any successor program of a similar nature, the Member's contract will be terminated.

- K. Right of Entry.** It is agreed that employees or agents of the Community may need to enter the accommodation on occasion, and permission is hereby given by Member. The Community will make reasonable efforts to give notice of any entry whenever possible but is not bound to do so.
- L. Residents' Council.** Members of the Community may participate in the Residents' Council and Residents' Committees which will be open to all Members through an election process.
- M. Change of Accommodations.** The Member may request a change in the type of accommodation from time to time, subject to permission of the Community and the availability of the type requested. If such change is made, the following rules apply:
1. If the Entrance Fee for the new accommodation is higher than the Entrance Fee paid for the accommodation to be vacated, the Member will pay the difference between the Entrance Fee for the new accommodation

and the Entrance Fee paid for the prior accommodation. In the event of termination, the amount of the refund, if any, will be based on the total Entrance Fee paid.

2. Member will be responsible for any costs associated with the change of accommodation, including moving expenses.

V. **TRANSFERS OR CHANGES IN LEVELS OF CARE**

- A. **Transfer to Assisted Living or Nursing Care.** The Community offers various levels of care to best meet the progressive needs of its Members. A transfer to a higher level of care shall be based upon the recommendation of an interdisciplinary team, including the Member, to the extent practical, or the Member's legally-authorized representative determined in accordance with N.C. Gen. Stat. § 90-21.13(c), in conjunction with appropriate staff members and in consultation with the Member's attending physician. A decision to recommend a change in level of care shall be based on a determination that the Member cannot safely reside in their current accommodation or level of care. If agreement about level of care changes cannot be reached, the dispute will be submitted to binding arbitration for resolution, in accordance with the separate Mediation and Binding Arbitration Agreement executed between the Member or Member's legally-authorized representative and the Community. A Member transferring to a higher level of care does not constitute a change of accommodation for the purpose of calculating an Entrance Fee refund.

In the event of a Permanent Transfer, you shall release your Residence in order for the Community to make your Residence available to a new resident. In such event, the Community may enter into a new Agreement for occupancy of the Residence with a new resident. If your Residence is reassigned and should you subsequently recover sufficiently to maintain yourself independently in a residence, you shall be offered the next available residence similar to the one relinquished. While you are in the Assisted Living or the Health Care Facility, the Monthly Service Fee will continue to be due and payable as described in Section II, D.

If the Residence is occupied by two (2) Residents, the Permanent Transfer of one (1) Resident does not affect the rights and privileges under this Agreement of the remaining Resident.

- B. **Transfer to Hospital or Other Facility.** Should the Member need care beyond that which can be provided by the Community, the Member may be transferred to a hospital, center, or institution equipped to give such care, the cost of which will be the responsibility of the Member. Such transfer of the Member will be made only after consultation to the extent possible with the Member, or the Member's legally-authorized representative determined in accordance with N.C. Gen. Stat. § 90-21.13(c), and the Member's attending physician.

- C. **Vacating Residence.** If a Member's attending physician determines that any transfer described in Section V. A. and B. is likely to be permanent in nature, the Member agrees to vacate the Residence occupied by the Member prior to such transfer. If the interdisciplinary team, including the Member, to the extent practical, or the Member's legally-authorized representative, in conjunction with appropriate staff members and in consultation with the Member's attending physician, subsequently determines that the Member can resume occupancy in a Residence or accommodation comparable to that occupied by the Member prior to such transfer, the Member shall have priority to such residence as soon as it becomes available.

VI. **TERMINATION OF MEMBERSHIP AND REFUNDS**

- A. **Right to Rescind Agreement.** The Member shall have the right to rescind this Agreement within thirty (30) days after executing this Agreement or receipt of the Disclosure Statement as required by law, if later. The Member shall not be required to occupy the chosen residence at the Community before expiration of the thirty (30) day period. Upon rescission, the Community shall refund to the Member, or the Member's legally-authorized representative, any portion of the Entrance Fee the Member paid to the Community less (i) per diem or monthly charges specified in this Agreement for the Member's Residence applicable to the period the Residence was actually occupied by the Member; (ii) those nonstandard costs specifically incurred by the Community at the request of Member which are not covered by the per diem or monthly charges applicable to Member; and (iii) the greater of two percent (2%) of the Entrance Fee or One Thousand Dollars (\$1,000.00). Any such refund shall be paid by the Community within sixty (60) days following receipt of written notification of such termination.
- B. **Termination by Member Prior to Occupancy Based on Death or Disability.** If the Member dies before occupying his or her residence or becomes incapable of meeting the physical, mental or financial requirements for admission before such occupancy, this Agreement shall be automatically canceled. In such case, the Community shall refund to the resident, the resident's estate, or the resident's legally-authorized representative, any portion of Entrance Fee the Member paid to the Community less (i) those nonstandard costs specifically incurred by the Community at the request of Member which are not covered by the per diem or monthly charges applicable to Member; and (ii) the greater of two percent (2%) of the Entrance Fee or One Thousand Dollars (\$1,000.00). Any such refund shall be paid by the Community within sixty (60) days following receipt of written notification of such termination.
- C. **Termination by Member Prior to Occupancy for Other Reasons.** Once the thirty (30) day rescission period described in Section VI. A, above, has expired, but before the Member takes occupancy, the Member may terminate this Agreement for any reason not covered by Section VI. B, by giving written notice to the Community. For rescinded or canceled contracts under this section, the

resident or the resident's legal representative shall receive a refund of all money or property transferred to the provider, less (i) those nonstandard costs specifically incurred by the provider or facility at the request of the resident and described in the contract or any contract amendment signed by the resident; (ii) nonrefundable fees, if set out in the contract; and (iii) a reasonable service charge, if set out in the contract, not to exceed the greater of one thousand dollars (\$1,000) or two percent (2%) of the entrance fee. Any such refund shall be paid by the Community within sixty (60) days following receipt of written notification of such termination.

D. Termination by Member After Occupancy. Once the thirty (30) day rescission period described in Section VI. A, above, has expired, and after the Member takes occupancy, the Member may, at any time upon ninety (90) days' notice in writing to the Community, terminate his or her membership. Upon termination, a portion of the Entrance Fee may be refunded to the withdrawing Member, as described in Section VI. G.

E. The Community's Right to Terminate Agreement. The Community shall have the right at any time, upon thirty (30) days' notice in writing to the Member, to terminate his or her membership because the Member has failed to meet his or her obligations under this Agreement, including but not limited to:

- Member has not paid monthly fees and other charges on a timely basis;
- Member engages in behavior that unreasonably interferes with the quiet enjoyment of other Members; or
- Member has failed to abide by the provisions of the Community's Resident Handbook.

The following may result in immediate termination of membership and discharge:

- Member engages in behavior that negatively impacts or threatens the health, safety or welfare of other Members, staff or visitors.

Such notice shall specify the obligation which the Member has failed to perform. Upon such termination, the Member may be entitled to a refund of a portion of the Entrance Fee paid, as described in Section VI, G.

F. Termination Upon Death. Death of a Member shall be treated as a termination of membership on the date of death. The refund due, if any, shall be computed as described in Section VI. G.

G. Refund Upon Termination. Upon contract termination, the Member may be

entitled to a refund of a portion of the Entrance Fee paid, as follows:

- 1. 0% Refundable Entrance Fee Option.** For Members who have chosen the 0% Refundable Entrance Fee Option, the refund due, if any, shall be the Entrance Fee paid, less: (i) ten percent (10%) for any termination occurring in months one through five after occupancy, (ii) two percent (2%) for each month that has elapsed between month six and the

date of withdrawal up to month 50; (iii) a fee of One Thousand Dollars (\$1,000); and (iv) any amount due to the Community for monthly care or other unpaid services. No part of the 0% Refundable Entrance Fee is refundable after a Member has resided at the Community for fifty (50) months. Any refundable amount shall be paid to the withdrawing Member only when the Residence is reserved by a new Member and the new Member has paid his/her/their Entrance Fee.

2. 50% Refundable Entrance Fee Option. For Members who have chosen the 50% Refundable Entrance Fee Option, the refund due shall be the Entrance Fee paid less: (i) ten percent (10%) for any termination occurring in months one through ten after occupancy; (ii) one percent (1%) for each month that has elapsed between month eleven and the date of withdrawal up to month 50; (iii) a fee of One Thousand Dollars (\$1,000); and (iv) any amount due to the Community for monthly care or other unpaid services. Any refundable amount shall be paid to the withdrawing Member only when the Residence is reserved by a new Member and the new Member has paid his/her/their Entrance Fee.

3. 90% Refundable Entrance Fee Option. For Members who have chosen the 90% Refundable Entrance Fee Option, the refund due shall be the Entrance Fee paid less: (i) ten percent (10%); (ii) a fee of One Thousand Dollars (\$1,000); and (iii) any amount due to the Community for monthly care or other unpaid services. Any refundable amount shall be paid to the withdrawing Member only when the Residence is reserved by a new Member and the new Member has paid his/her/their Entrance Fee.

Any refund due shall be paid to the estate of the deceased Member or to a beneficiary identified in advance by the Member.

If a member is 85 years of age or older at the time of the full payment of the entrance fee, a 10% premium is added to the entrance fee up to the age of 90. If a resident is 90 years of age or older at the time of the full payment of the entrance fee, a 10% premium is added to the entrance fee, and they are limited to the 0% refundable entrance fee option.

H. Condition of Residence. At the effective date of termination of this Agreement, the Member shall vacate the Residence and shall leave it in good condition except for normal wear and tear. The Member shall be liable to the Community for any cost incurred in restoring the Residence to good condition except for normal wear and tear. Such costs will be deducted from any refund due to the Member under the terms of this Agreement or will be billed to the Member or Member's estate or beneficiary if the available refund is not sufficient to cover the cost of repairs.

I. Use of a Refundable Entrance Fee Option for Health Care Expenses at Aldersgate.

1. Should a Member who has chosen the 90% or 50% Refundable Entrance Fee

Option permanently vacate his or her Residence by transferring to a Health Care Facility at the Community, the Member may then draw against his or her refund to supplement payment of his or her health care costs at the Community but if and only if the Member's other assets from all available sources are insufficient to cover the Member's health care costs at the Community. The Community may require the Member to demonstrate the unavailability of other resources to cover health care costs at the Community. The refundable portion of the Entrance Fee can be accessed exclusively for healthcare services at the Community as a supplement to any income the Member receives from all available sources. The Member would still be entitled to receive any applicable Member discount on his or her health care.

2. The following conditions apply when "the Member" is used in this contract to apply to two married individuals in an Independent Living Residence who have chosen the 90% or 50% Refundable Entrance Fee Option:
 - a. The Entrance Fee relates to the Member identified in this Agreement, not to either individual Member alone. As such, as long as one of the Members remains in the Community, no refund of the Entrance Fee is due to either Member, even if one Member vacates the Community for any reason.
 - b. Should both Members vacate their Residence by transferring to a Health Care Facility at the Community, either or both Member(s) may then draw against the 90% or 50% Refundable Entrance Fee to supplement payment of their health care costs at the Community but if and only if the Member's other assets from all available sources are insufficient to cover the Member's health care costs at the Community. The Community may require the Member to demonstrate the unavailability of other resources to cover health care costs at the Community. The 90% and 50% Refundable Entrance Fee option can be accessed exclusively for healthcare services at the Community as a supplement to any income the Member receives from all available sources. The Member would still be entitled to receive any applicable Member discount on their health care. The Member may access the refund for health care purposes only when the vacated Residence is reserved by a new Member and the new Member has paid his/her/their Entrance Fee.
 - c. Should one Member vacate their Residence by transferring to a Health Care Facility at the Community, and the other Member vacates the Residence by transferring to an independent accommodation that carries a lesser entrance fee, the Member who has transferred to the Health Care Facility may then draw against the 90% or 50% Refundable Entrance Fee to supplement payment of their health care costs at the Community, up to the difference between the original Entrance Fee, and the then current Entrance Fee (Revised Entrance Fee) for the new independent accommodation, but if and only if the Member's other assets from all available sources are insufficient to cover the Member's health care costs at the Community. The Community may require the Member to

demonstrate the unavailability of other resources to cover health care costs at the Community. The Member would still be entitled to receive any applicable Member discount on their health care. Should the Member residing in the independent living accommodation vacate said accommodation by transferring to Assisted Living or the Health Care Facility at the Community, that Member may then draw upon the refundable portion of the Revised Entrance Fee to supplement payment of their health care costs at the Community, but if and only if the Member's other assets from all available sources are insufficient to cover the Member's health care costs at the Community. The Community may require the Member to demonstrate the unavailability of other resources to cover health care costs at the Community. The 90% or 50% Refundable Entrance Fee can be accessed exclusively for health care services at the Community as a supplement to any income the Member receives from all available sources. The Member would still be entitled to receive any applicable Member discount on their health care. The Member may access the refund for health care purposes only when the vacated Residence is reserved by a new Member and the new Member has paid his/her/their Entrance Fee.

- d. Utilization of the 90% or 50% Refundable Entrance Fee option may be made to supplement payment of health care costs at the Community only. Contingent upon a financial review of the Members income and assets, at the Community reserves the right to determine the amount of the 90% or 50% Refundable Entrance Fee that may be used to supplement the Members health care fees at the Community.

VII. FINANCIAL ASSISTANCE

The Community reserves the right to terminate Member's membership in the event the Member does not, or cannot, make the monthly payments required under Section II, and in the further event arrangements for payment of those fees cannot be made with Member, Member's family and/or other responsible party. It is the goal of the Community, however, to provide for services for the Member for the balance of his or her lifetime without regard to the Member's ability to pay the monthly fee which may be

established from time to time. However, the Community has relied upon outside sources of financial support available to it for care of Members who have insufficient funds, upon financial information provided by the Member, and upon the good-faith assurances of the Member that he or she will utilize any assets now owned or hereafter acquired to the best of his or her ability to meet the financial obligations imposed on the Member under this Agreement. In the event the financial sources relied upon by the Community for the care of Members with insufficient funds cease or prove inadequate, or in the event the Member makes a material misstatement with regard to the nature or extent of his or her assets, or in the event the Member, after the date of this Agreement, takes action which depletes his or her assets, and the result of such misstatement or such action is to impair the Member's ability to pay the monthly fee contemplated by this Agreement, the Community may exercise its right to terminate the Member's membership. Should the Member apply for and receive assistance under the Medicaid program, or any successor program of a similar nature, the Member's membership will be terminated.

Notwithstanding any other provision of this Agreement, nothing in this Section VII or any other portion of this Agreement is intended to constitute or should be construed as a promise to provide financial assistance to any Member and the decision to offer financial assistance to any Member is solely within the discretion of the Community based upon the unique facts of each Member's situation.

VIII. **GENERAL**

- A. **Assignment.** The rights and privileges of the Member under this Agreement to the Residence, common areas, amenities, services, and programs of the Community are personal to the Member and may not be transferred or assigned by the Member or otherwise.
- B. **Management of the Community.** The absolute rights of management of the Community are reserved by the Community, its Board of Directors, and its administration/management as designated by said Board of Directors. The decision to accept or decline an application for Membership will be based upon criteria for admission developed by the Community. Members do not have the right to determine acceptance or terms of acceptance of any other Member.
- C. **Entire Agreement.** This Agreement and the Mediation and Binding Arbitration Agreement constitute the entire agreement between the Community and the Member. The Community shall not be liable or bound in any manner by any statements, representations, or promises made by any person representing or assuming to represent the Community, unless such statements, representations, or promises are set forth in this Agreement and/or the Mediation and Binding Arbitration Agreement.
- D. **Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of the Community and the heirs, executors, administrators, and assigns of the Member.

- E. Power of Attorney, Will, and Medical Directive.** Member is encouraged to execute a durable power of attorney designating some competent person as attorney-in-fact. Member is encouraged to execute a will. Member is further encouraged to consider execution of a Living Will and Health Care Power of Attorney. The Member is asked to provide the Community with copies of the Member's Durable Power of Attorney, Living Will, Health Care Power of Attorney and any other advance directive executed by the Member.
- F. Transfer of Property.** The Member agrees not to make any gift or other transfer of property for less than adequate consideration for the purpose of evading the Member's obligations under this Agreement or if such gift or transfer would render such Member unable to meet such obligations.
- G. Property Disposition Upon Permanent Transfer or Death:**
- 1.** In the event of Member's permanent transfer from his/her Residence to some other living accommodation or upon his/her death, all Member's property shall be removed within the following timeframes after notification by Community to Member or his/her legally-authorized representative:
 - Fourteen (14) days from independent living accommodation;
 - Ten (10) days from assisted living (other than memory support); Seventy-two (72) hours from memory support centers;
 - Twenty-four (24) hours from the Health Care Facility.

Accommodation charges will remain in effect until all of the Member's property is removed from the accommodation.
 - 2.** If such property is not removed within said periods of time by Member's legally authorized representative, the Community shall have the right to remove and store such property. The costs attributed to such removal and storage shall be charged to the Member or the Member's estate, as applicable, and may be deducted from any refund otherwise due the Member. Thereafter, if such property is not claimed within thirty (30) days, then title to such property shall be vested in the Community and it shall be disposed of as the Community, in its sole discretion, deems proper, without any liability of the Community to the Member, his/her/their estate, or heirs.
- H. Relationship to Church.** The Community is affiliated with the Western North Carolina Conference of the United Methodist Church. However, Member acknowledges that the Community is an independent corporation which is solely responsible for carrying out its obligations hereunder and that neither the United Methodist Church, the Western North Carolina Conference of the United Methodist Church, nor any agency of them has any financial or contractual obligation to the Member on account of this Agreement.
- I. Governing Law.** This Agreement shall be governed by the laws of the State of

North Carolina.

- J. Notice Provisions.** Any notices, consents, or other communications to the Community hereunder (collectively "notices") shall be in writing and addressed as follows:

President
 Aldersgate UMRC Inc.
 3800 Shamrock Drive
 Charlotte, North Carolina 28215-3220

The address of the Member for the purpose of giving notice is the address appearing after the signature of the Member below.

IN WITNESS WHEREOF, the Community has executed this Agreement, the Member has read and understands this Agreement and has executed this Agreement, and ten percent (10%) of the Entrance Fee has been paid as of the day and year above written.

 Witness

 Member

 Witness

 Member

 Current Address (Number and Street)

 City, State, Zip Code

(_____)_____-_____
 Telephone

ALDERSGATE UNITED METHODIST RETIREMENT
 COMMUNITY, INC.,

 By: _____ Date
 President

By:
Director of Marketing

Date

EXHIBIT A

FEES IN ASSISTED LIVING AND HEALTH CARE

Effective January 1, 2019, the following rates are in effect:

Monthly Service Fee Schedule <u>Existing and New Health Care Beds</u>– Effective January 1, 2019			
Residence Type	Direct Admit	Member - with Health Care Benefit	Member - without Health Care Benefit
Parker Terrace (Assisted Living)			
Studio			
- Tier 1	\$5,125/month		\$4,920/month
- Tier 2	\$6,150/month		\$5,596/month
- Life Care Rate		\$4,756/month	
One Bedroom Apartment			
- Tier 1	\$5,324/month		\$5,111/month
- Tier 2	\$6,352/month		\$5,779/month
- Life Care Rate		\$4,756/month	
Cuthbertson Village Memory Support (Assisted Living)			
One Bedroom Apartment			
- Tier 1	\$6,328/month		\$5,759/month
- Tier 2	\$7,309/month		\$6,651/month
- Life Care Rate		\$4,756/month	
Asbury Health and Rehabilitation (Health Care Facility)			
- Tier 1	\$314/day		\$8,759/month
- Tier 2	\$355/day		\$9,902/month
- Life Care Rate		\$4,756/month	
Asbury Health and Rehabilitation (Health Care Facility)			
- Home for the Aged - Tier 1	\$239/day		\$6,668/month
- Home for the Aged - Tier 2	\$271/day		\$7,561/month
- Life Care Rate		\$4,756/month	

Member will pay the current rate in effect at the time of actual admission.

Member is aware that these rates will change from time to time upon Board approval with a thirty (30) day notification in writing to Members prior to implementation.

EXHIBIT B

Addendum to Residence and Services Agreement to Replace the Health Care Benefit

WHEREAS, _____, (“you” or “Resident” or “Member”), has entered into the Residence and Services Agreement (“Agreement”) dated _____, with Aldersgate United Methodist Retirement Community, Inc. (“the Community”); and

WHEREAS, the Member does not meet the qualifications for residency at the Community as a resident receiving the Health Care Benefit as more fully described in Section I.E.11 of the Agreement; and

WHEREAS, the Community desires to admit the Member and Member agrees to admission without the Health Care Benefit;

NOW, THEREFORE, the Member and the Community agree as follows:

The paragraphs in Section I.E.11.v.b of the Agreement entitled Permanent Transfers and describing monthly and daily services fees to be paid upon permanent transfer to Assisted Living or the Health Care Facility are stricken in their entirety as they relate to the undersigned Resident only and replaced by the following:

- b. **Permanent Transfers.** A transfer is considered permanent when the condition that requires your transfer will not allow you to return to your Residence and the Residence has been vacated.
 - i. **Single Occupancy.** Should you have a permanent need for Assisted Living or Health Care Facility services, you will be required to release your Residence as provided in Section V. Your Monthly Service Fee will be adjusted to the then-current monthly rate applicable to non-Members at Assisted Living or the then-current daily rate applicable to non-Members at the Health Care Facility.
 - ii. **Double Occupancy.** Should you have a permanent need for Assisted Living or Health Care Facility services, the Monthly Service Fee will be equal to the then-current Monthly Service Fee for your Residence for one person plus the then-current monthly rate applicable to non-Members at Assisted Living or the then-current daily rate applicable to non-Members at the Health Care Facility. Should both Residents have a permanent need for Assisted Living or Health Care Facility services, Residents will be required to release the Residence as provided under Section V. The Resident qualifying for the Health Care Benefit will pay the then-current Health Care Benefit Rate and the undersigned, non-qualifying Resident, will pay the then-current monthly rate applicable to non-Members at Assisted Living or the then-current daily rate applicable to non-Members at the Health Care Facility.

EXHIBIT B

**Addendum to Residence and Services Agreement to
Replace the Health Care Benefit**

All other provisions of the Residence and Services Agreement remain unchanged and effective until terminated according to the provisions of Section VI of the Agreement.

The Community has executed this Addendum and Member has read and understands this Addendum and has executed this Addendum to the Residence and Services Agreement.

Member

Date

Member

Date

Aldersgate United Methodist Retirement Community, Inc.

President

Date

EXHIBIT C

Addendum to Residence and Services Agreement Monthly and Additional Service Fees

Member selects and agrees to pay for the following initial Monthly and Additional Services Fees in accordance with the Agreement.

Service	Fee	Member Initials
Monthly Services Fee – 1 st Person Includes _____ dining dollars	\$ _____ per month	_____/_____
Monthly Services Fee – 2 nd Person Includes _____ dining dollars	\$ _____ per month	_____/_____
Standard Cable TV Access	\$ _____ per month	_____/_____
Telephone	\$ _____ per month	_____/_____

Member may change these selections at any time after occupancy and upon 30 days' written notice to the Community.

Member is aware that these fees may change from time to time upon Board approval with a thirty (30) day notification in writing to Members prior to implementation.

Member

Date

Member

Date

Aldersgate United Methodist Retirement Community, Inc.

President

Date

EXHIBIT D

Addendum to Residence and Services Agreement for New Construction of Wesley Glen Executive Homes

This Exhibit D, rather than Section II.C of the Residence and Services Agreement, shall govern the Terms of Payment of the Entrance Fee for Members selecting new construction of a Wesley Glen Executive Home. With the exception of Section II.C, all other provisions of the Residence and Services Agreement apply to those Members selecting new construction of a Wesley Glen Executive Home.

Terms of Payment of the Entrance Fee. The terms of payment of the Entrance Fee for the new construction of Wesley Glen Executive Homes shall be as follows:

1. **Reservation Deposit.** An amount equal to ten percent (10%) of the Entrance Fee totaling \$_____, paid within five (5) days after the Member receives written notice of approval and upon execution of this Agreement; and,
2. **A Deposit of One Third of the Total Entrance Fee.** An amount equal to one third (1/3) of the Entrance Fee, including 1/3 of fees for selected Option/Custom Features; less the paid Reservation Deposit, or \$_____ paid at the time that the executive home site begins to be cleared; and,
3. **A Deposit of One Third of the Total Entrance Fee.** An amount equal to one third (1/3) of the Entrance Fee, including 1/3 of fees for selected Option/Custom Features, ; less the paid Reservation Deposit, or \$_____ paid when the Community determines and notifies Member that construction of the Wesley Glen Executive Home has reached 50% of substantial completion; and,
4. **Balance of the Entrance Fee.** The balance of the total Entrance Fee, including any outstanding balance for Options/Custom Features selected by the Member, or \$_____ paid at the Occupancy Date, unless otherwise agreed to in writing by the Community.

The Community has executed this Addendum and Member has read and understands this Addendum and has executed this Addendum to the Residence and Services Agreement.

Member

Date

Member

Date

Aldersgate United Methodist Retirement Community, Inc.

President

Date

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MEDIATION AND BINDING ARBITRATION AGREEMENT

This Mediation and Binding Arbitration Agreement is entered into as of the date written below by and between Aldersgate United Methodist Retirement Community (hereinafter “the Community”) and _____ (“Member”) and _____, Member’s Responsible Party (“Responsible Party”), if any.

I. Voluntary Mediation. Mediation is a form of alternative dispute resolution whereby an impartial person facilitates communication between the parties. The goal of mediation is to resolve the dispute promptly, amicably, and without incurring significant time and expense. Mediations are non-binding in nature. This Agreement provides for voluntary mediation whereby the parties may, upon mutual agreement, engage in mediation before resorting to arbitration. If the parties mutually agree to mediate any dispute that may arise between them, then the mediation will be conducted at a site selected by Community, which shall be at the Community or at a site within a reasonable distance of the Community. The costs of the mediation shall be borne equally by each party, and each party shall be responsible for their own legal fees. If the parties are unable to resolve their dispute through mediation, then the dispute may only be resolved by arbitration as provided in this Agreement. If the parties do not mutually agree to mediate any dispute that may arise between them, then they may proceed directly to arbitration.

II. Binding Arbitration. Arbitration is a specific process of dispute resolution utilized instead of the traditional state or federal court system. Instead of a judge and/or jury determining the outcome of a dispute, a neutral third party (“Arbitrator(s)”) chosen by the parties to this Agreement renders the decision, which is binding on both parties. Generally an Arbitrator’s decision is final and not open to appeal. The Arbitrator will hear both sides of the story and render a decision based on fairness, law, common sense and the rules established by the Arbitration Association selected by the parties. When Arbitration is binding, it is the only legal process available to the parties. Binding Arbitration has been selected with the goal of reducing the time, formalities and cost of utilizing the court system.

(a) Contractual and/or Property Damage Disputes. Unless resolved or settled by mediation, any controversy, dispute, disagreement or claim of any kind or nature, arising from, or relating to the Residence and Services Agreement (“the Agreement”) executed between Member and the Community, or concerning any rights arising from or relating to an alleged breach of the Agreement, with the exception of (1) guardianship proceedings resulting from the alleged incapacity of the Member; and (2) disputes involving amounts in controversy of less than Twenty-Five Thousand Dollars (\$25,000), shall be settled exclusively by arbitration. This means that the Member will not be able to file a lawsuit in any court to resolve any disputes or claims that the Member may have against the Community. It also means that the Member is relinquishing or giving up all rights that the Member may have to a jury trial to resolve any disputes or claims against the Community. It also means that the Community is giving up any rights it may have to a jury trial or to bring claims in a court against the Member. Subject to Section (f), the Arbitration shall be administered by Carolina Dispute Settlement Services (“CDSS”), in accordance with the CDSS’s Rules of Procedure, and judgment on any award rendered by the arbitrator(s) may be

entered in any court having appropriate jurisdiction. Member and/ or Responsible Person acknowledge(s) and understand(s) that there will be no jury trial on any claim or dispute submitted to arbitration, and Member and/or Responsible Person relinquish and give up their rights to a jury trial on any matter submitted to arbitration under this Agreement.

(b) Personal Injury or Medical Malpractice. Unless resolved or settled by mediation, any claim that the Member may have against the Community for any personal injuries sustained by the Member arising from or relating to any alleged medical malpractice, inadequate care, or any other cause or reason while residing in the Community, shall be settled exclusively by arbitration. This means that the Member will not be able to file a lawsuit in any court to bring any claims that the Member may have against the Community for personal injuries incurred while residing in the Community. It also means that the Member is relinquishing or giving up all rights that the Member may have to a jury trial to litigate any claims for damages or losses allegedly incurred as a result of personal injuries sustained while residing in the Community. Subject to Section (f), the Arbitration shall be administered by CDSS, in accordance with CDSS's Rules of Procedure, and judgment on any award rendered by the arbitrator(s) may be entered in any court having appropriate jurisdiction. Member and/or Responsible Person acknowledge(s) and understand(s) that there will be no jury trial on any claim or dispute submitted to arbitration, and Member and/or Responsible Person relinquish and give up the Member's right to a jury trial on any claims for damages arising from personal injuries to the Member which are submitted to arbitration under this Agreement.

(c) Exclusion From Arbitration. Those disputes which have been excluded from binding arbitration (i.e., guardianship proceedings and disputes involving amounts in controversy of less than \$25,000) may be resolved through the use of the judicial system. In situations involving any of the matters excluded from binding arbitration, neither Member nor the Community is required to use the arbitration process. Any legal actions related to those matters may be filed and litigated in any court which may have jurisdiction over the dispute. This arbitration provision shall not impair the rights of Member to appeal any transfer and/or discharge action initiated by the Community to the appropriate administrative agency if such transfer or appeal is governed by State or Federal law prescribing the instances in which a resident may be transferred or discharged, and after the exhaustion of such administrative appeals, to appeal to the court exercising appellate jurisdiction over the administrative agency.

(d) Right to Legal Counsel. Member has the right to be represented by legal counsel in any proceedings initiated under this arbitration provision. Because this arbitration provision addresses important legal rights, the Community encourages and recommends that Member obtain the advice and assistance of legal counsel to review the legal significance of this binding arbitration provision prior to signing this Agreement.

(e) Location of Arbitration. The Arbitration will be conducted at a site selected by the Community, at the Community or at a site within a reasonable distance of the Community.

(f) Time Limitation for Arbitration. Any request for arbitration of a dispute must be requested and submitted to CDSS, with notice to the other party, prior to the lapse of two (2) years from the date on which the event giving rise to the dispute occurred. In the event CDSS is unable

or unwilling to serve, then the request for Arbitration must be submitted to the Community within thirty (30) days of receipt of notice of CDSS's unwillingness or inability to serve as a neutral arbitrator. Community shall select an alternative neutral arbitration service within thirty (30) days thereafter and the selected Arbitration Agency's procedural rules shall apply to the arbitration proceeding. The failure to submit a request for Arbitration to CDSS, or an alternate neutral arbitration service selected by Community, within the designated time (i.e., two (2) years) shall operate as a bar to any subsequent request for Arbitration, or for any claim for relief or a remedy, or to any action or legal proceeding of any kind or nature, and the parties will be forever barred from arbitrating or litigating a resolution to any such dispute. A copy of the CDS Rules and Procedures for Arbitration is attached to this Agreement as Attachment A. Contact information for CDSS, is as follows:

Carolina Dispute Settlement Services
3737 Glenwood Avenue, Suite 370
Raleigh, N.C. 27612
Telephone: (919) 755-4646
Fax: (919) 755-4644
Email: www.notrials.com

(g) Limitation on Damages and Allocation of Costs for Arbitration. The costs of the arbitration shall be borne equally by each party, and each party shall be responsible for their own legal fees.

(h) Limited Member Right to Rescind this Binding Arbitration Clause (Sections (a-h) of this Agreement). Member or, in the event of Member's incapacity, Member's authorized representative have the right to rescind this arbitration clause by notifying the Community in writing within thirty (30) days of the execution of this Agreement. Such notice must be sent via certified mail to the attention of the Administrator of the Community, and the notice must be post-marked within thirty (30) days of the execution of this Agreement. The notice may also be hand-delivered to the Administrator within the same thirty (30) day period. The filing of a claim in a court of law within the thirty (30) days provided for above will automatically rescind the arbitration clause without any further action by Member or Member's authorized representative.

Member

Date

Responsible Person

Date

Aldersgate United Methodist Retirement Community, Inc.

By: _____

Title

Date

ATTACHMENT A

Carolina Dispute Settlement Services

Expedited Arbitration Rules and Procedures

Rule 1. Scope of Rules

The Carolina Dispute Settlement Services (CDSS) Expedited Arbitration Rules and Procedures govern binding arbitration of claims or disputes that are administered by Carolina Dispute Settlement Services. There are no dollar limits for disputed claims or counterclaims for utilization of these rules.

The term “Party” as used in the rules include the parties to the arbitration and their attorneys.

Rule 2. Party – Agreed Procedures

The Parties may agree on any procedures not specified herein that are consistent with applicable law and CDSS policies. The Parties shall be responsible for notification to the CDSS assigned Case Manager of any agreed upon procedures and will confirm the agreed procedures in writing. The agreed upon procedures will be enforceable as if contained in the CDSS Rules and Procedures.

Rule 3. Amendment of Rules

CDSS may amend the Rules without notice. The Rules in effect on the date of the commencement of an Arbitration will apply to that Arbitration.

Rule 4. Conflict of Law

If any of these rules or modifications is in conflict with mandatory applicable law, the provision of law will govern.

Rule 5. Commencing an Arbitration

- A) The arbitration is commenced by the submission to CDSS of a post- dispute Arbitration Agreement fully executed by all the involved Parties and a claim statement.

- B) The arbitration is commenced by the submission of a pre-dispute written contractual provision requiring the Parties to arbitrate the dispute or claim. Or a written demand has been served on the other Party in accordance with either the pre-dispute written contractual provision or, if appropriate, proof of services in compliance with Federal Rules of Procedure; or

- C) The oral agreement of all Parties to participate in arbitration conducted pursuant to these rules.

The arbitration process is considered commenced when CDSS confirms in writing that the above requirements have been met and that CDSS has received a claim statement. The date of commencement is the date of the CDSS commencement letter.

In the event of an oral agreement to participate in arbitration the Hearing will not take place until all Parties to the claim have executed an Arbitration Agreement.

- D) If any Party fails to respond to a claim or fails to reply to a counter or cross claim, that Party will be deemed to have denied the claims, counter or cross claims made against it and to have waived the right to assert other claims or challenges to jurisdiction.

Rule 6. Prehearing Conference/ Selection of the Arbitrator

Unless the following matters have been determined during the commencement process, the Case Manager may conduct a Pre-Hearing Conference with the Parties by telephone, within five (5) business days after the date of commencement of the Arbitration, to discuss Arbitrator selection, the location and scheduling of the Hearing and other procedural issues. The Arbitrator shall be selected through the process of the Case Manager providing a list of three (3) proposed qualified potential Arbitrators to the Parties. Each Party shall have seven (7) days to strike one name if they so choose. The name remaining shall serve as Arbitrator for the case.

In the event that one Party chooses to not strike a name or the same name is struck by both Parties the Case Manager will select and appoint a qualified Arbitrator from the CDSS roster.

If for any reason the Pre- Hearing Conference does not take place within the specified time frame, the Case Manager will select and appoint a qualified Arbitrator from the CDSS roster.

At any subsequent time the Parties may request additional conferences to discuss administrative or procedural matters.

The Case Manager shall be responsible for answering questions regarding rules and will discuss procedural matters. At the request of the Parties the Case Manager may make a determination regarding the location of the Hearing, subject to Arbitrator review.

Rule 7. Interpretation of Rules and Jurisdiction Challenges

Once appointed the Arbitrator will resolve any disputes about the interpretation and application of these Rules, including disputes related to the duties of the Arbitrator and the conduct of the hearing and jurisdiction.

Rule 8. Representation

The Parties may be represented by Counsel and such representation is encouraged and in some cases may be required by law. Each Party will promptly notify the Case Manager and the other Party the name and address, phone number of its Counsel.

9. Ex Parte Communications

No Party will have ex parte communication with the Arbitrator regarding any issue. Any necessary ex parte communication with CDSS, whether before or after the Arbitration Hearing, will be with the assigned Case Manager or Executive Director.

10. Exchange of Information

- A) The Parties will cooperate in good faith in the voluntary, prompt and informal exchange of all non-privileged documents and information relevant to the dispute or claim, including copies of all documents in their possession or control on which they rely in support of their positions or which they intend to introduce as exhibits at the arbitration hearing, the names of all individuals with knowledge about the claim or dispute and the names of all experts who may be called to testify or whose report may be introduced at the arbitration hearing.

The Parties and the Arbitrator will make every effort to conclude the document and the information exchange process within ten business days before the arbitration Hearing.

- B) The Parties will promptly notify the Arbitrator through the Case Manager when there is an unresolved dispute regarding discovery issues. The Case Manager may attempt to informally resolve the dispute or may schedule a conference with the Arbitrator, either in person or by telephone and the Arbitrator will resolve the dispute. The Parties will promptly comply with any directive from the Arbitrator by the date specified.

11. Scheduling and Location of Hearing

Unless previously agreed upon or scheduled by the Case Manager the Arbitrator after consulting with the parties, will determine the location, date and time of the Arbitration Hearing. Absent unusual circumstances the Hearing should begin within thirty (30) business days of the commencement of the Arbitration. All Parties will attempt to schedule consecutive Hearing days if more than one day is necessary.

12. Pre- Hearing Submissions

For complex cases or in unusual circumstances, the Arbitrator may require a Pre- Hearing Conference for the purpose of narrowing the focus of the Arbitration Hearing by stipulation of facts, or joint statements of Issues. The Arbitrator may also require Pre- Hearing briefs or statements of positions.

13. Securing Witnesses/ Documents

At the request of any Party, all Parties will produce for the Hearing all witnesses in their employ, or under their control without need of subpoena. The Arbitrator may issue subpoenas for the attendance of witnesses or the production of documents.

14. The Arbitration Hearing

- A) The Arbitrator shall conduct the Hearing with dignity and decorum.
- B) The Arbitrator will require witnesses to testify under oath.
- C) The Arbitrator is not bound by the rules of evidence that they find to be relevant and material to the claim, including evidence presented in the form of affidavits, giving evidence such weight as he or she determines to be appropriate.
- D) The Parties may not offer as evidence and the Arbitrator will not admit into record nor consider, prior statement offers by the Parties or statements made by a Mediator in connection with efforts to resolve the dispute being arbitrated.
- E) Any Party may request the Hearing be recorded and the requesting Party will bear the cost of said recording.
- F) The Arbitrator may proceed with the Hearing in the absence of a Party who after having executed the Arbitration Agreement or who is otherwise bound to arbitrate, and after having received reasonable notice of the Hearing fails to appear. The Arbitrator may not render an Award solely on the basis of the default or absence of the Party, but will require testimony and evidence as the Arbitrator may require to render an Award.
- G) When the Arbitrator determines that all relevant and material evidence and arguments have been presented, the Arbitrator will declare the Hearing closed. Post- Hearing briefs shall not be allowed unless the Parties and the Arbitrator agree they are necessary. If the Arbitrator agrees they are necessary the Hearing will be closed upon the receipt of the briefs.

15. The Award

- A) Absent good cause or extension the Arbitrator shall render the Award within seven (7) to ten (10) business days of the close of the Arbitration Hearing.
- B) The Award shall be reduced to writing and provided to the CDSS Case Manager for issuance to the Parties.
- C) Unless the Parties specify a different standard, in determining the Award the Arbitrator shall apply the principles of applicable law.
- D) The Arbitrator is authorized to award any remedy allowed by applicable law.
- E) The Award will consist of a written statement signed by the Arbitrator regarding the disposition of each claim and the relief, if any, awarded.
- F) After the Award has been rendered and provided the parties have paid their Arbitration costs in full CDSS will issue the Award by serving copies on the Parties. Service will be deemed effective five (5) business days after deposit in the US Mail.
- G) Within seven (7) business days after the issuance of the Award, any Party, with written notice to all Parties, may request that the Arbitrator correct any computational, typographical or similar error in the Award, or the Arbitrator may correct such errors on his or her own initiative. All corrections will be made within seven (7) business days of receiving the request, provided the Party is in agreement and has had reasonable opportunity to respond.
- H) Proceedings to enforce, confirm, modify or vacate an Award will be controlled by and conducted in conformity with the Federal Arbitration Act or applicable law.

16. Confidential and Private

The Parties and the Case Manager and the Arbitrator will maintain the confidential nature of the Arbitration proceeding and the Award, including the Hearing.

17. Sanctions

The Arbitrator may Award appropriate sanctions for failure of a Party to comply with its obligations under any of these rules. Sanctions can include, but are not limited to: assessment of costs, prohibition of certain evidence.

18. Fees

- A) Each party will pay pro-rata share of the Arbitration costs and expenses, unless the Parties agree on a different allocation of the costs.
- B) CDSS requires that all Parties are jointly and severally liable for the payment of fees and expenses of CDSS.
- C) All fees for services must be paid in full prior to the release of the rendered Award.

19. Mediation

The Parties may agree, at any stage of the Arbitration process, to submit the case to CDSS for Mediation. The assigned Mediator to the case shall not be the Arbitrator unless the case was originally submitted as a Med-Arb.

To commence an Arbitration claim please contact:

Carolina Dispute Settlement Services,
3737 Glenwood Avenue, Suite 370,
Raleigh, NC 27612

Phone: (919) 755-4646

NOTICE OF RIGHT TO RESCIND
BINDING ARBITRATION CLAUSE

Date rescission period begins _____ (insert date Arbitration Agreement is signed by all parties).

You may rescind and terminate Sections (a-h) of the Mediation and Binding Arbitration Agreement (hereinafter called (“Agreement”)) without penalty or forfeiture within thirty (30) days of the above date. No other agreement or statement you sign shall constitute a waiver of your right to rescind Sections (a-h) of the Agreement within this thirty (30) day period.

To rescind Sections (a-h) of the Agreement, send via certified mail or hand deliver a signed and dated copy of this notice, or any other dated written notice, letter or telegram, stating your desire to rescind to the following address:

Suzanne Pugh
President
Aldersgate United Methodist Retirement Community, Inc.
3800 Shamrock Drive
Charlotte, North Carolina 28215

Not later than midnight of _____ (last day for rescission). If you are rescinding Sections (a-h) of the Agreement via certified mail, the notice must be post marked within thirty (30) days of the date the rescission period begins.

Pursuant to this notice, I hereby rescind Sections (a-h) of the Agreement regarding binding arbitration.

Date: _____

MEMBER’S SIGNATURE

RESPONSIBLE PERSON’S SIGNATURE
(if applicable)

Aldersgate



NATURALLY INVESTED IN COMMUNITY

RESERVATION AGREEMENT FOR RESIDENCES IN ALDERSGATE CHARLOTTE, NORTH CAROLINA

This Reservation Agreement is made this _____ day of _____, 20____, by and between Aldersgate United Methodist Retirement Community (“the Community” or “Aldersgate”), a non-profit corporation, and _____ (individually and/or collectively “You” or “Resident” or “Member”).

WHEREAS, Aldersgate is a continuing care retirement community located at 3800 Sharmrock Drive, Charlotte, North Carolina.

WHEREAS, You desire to reserve residence _____, a _____ style residence located in _____ (the “Residence”).

NOW, THEREFORE, You and Aldersgate agree as follows:

1. Preliminary Agreement: This Reservation Agreement is preliminary to the Residence and Services Agreement which will be entered into by You upon completion of the application process and approval by Aldersgate.
2. Residence and Services Agreement and Disclosure Statement. Aldersgate will provide You a copy of the Residence and Services Agreement and its most recent Disclosure Statement upon entering into this Reservation Agreement.
3. Entrance Fee(s). You agree to pay the Entrance Fee(s) shown below for the Residence at Aldersgate:

Entrance Fee First Person: \$ _____

Entrance Fee Second Person: \$ _____
4. Terms of Payment of the Entrance Fee. You agree to pay the Entrance Fee(s) for the Residence according to the following terms:
 - a. Initial \$1,000 Reservation Deposit. Upon entering into this Reservation Agreement and prior to entering into the Residence and Services Agreement, You agree to pay \$1,000.00 as an Initial Reservation Deposit. Such deposit is fully refundable should You choose not to proceed with the reservation process and not enter into

the Residence and Services Agreement for any reason, including the denial of your Application for admission by Aldersgate. The deposit fully applies toward the Entrance Fee should You proceed with the reservation process and enter into the Residence and Services Agreement and your Residence and Services Agreement is approved by Aldersgate.

- b. Initial 10% Reservation Deposit. An amount equal to ten percent (10%) of the total Entrance Fee, less the \$1,000.00 Reservation Deposit, totaling \$ _____ is paid within five (5) days after You receive notice of approval of admission by Aldersgate and upon execution of the Residence and Services Agreement.
 - c. Amounts for Options and Custom Features. The full amount invoiced by Aldersgate for any Options or Custom Features, if any, is due upon receipt of the invoice.
 - d. Balance of the Entrance Fee. An amount equal to 90% of the total Entrance Fee, or \$ _____ is paid at the Occupancy Date, unless otherwise agreed to in writing by the Community.
5. Monthly Fee(s). In addition to the Entrance Fee, and upon taking occupancy of the Residence, You agree to pay the Monthly Fee(s) shown below. The Monthly Fee(s) are estimated and are shown for the year given. The Monthly Fee(s) will be adjusted at least annually, and You will be given notice of such increases by Aldersgate.
- Monthly Fee First Person: \$ _____ in 20 ____
- Monthly Fee Second Person \$ _____ in 20 ____
6. Application Forms Completed by You. You agree to complete the following application forms and return them to Aldersgate within ten (10) days of this Reservation Agreement:
- General Information
 - Personal Health History
 - Confidential Financial Statement
7. Application Forms Completed by Others.
- Physician's Health History. You will give this to your physician to complete and return to Aldersgate no more than 30 days prior to Occupancy.
 - Independent Living Evaluation. This will be conducted by a professional chosen by Aldersgate and must be conducted within 30 days of Occupancy.
8. Final Forms at Move-in. Prior to move-in, the final physician health history forms and updated financial statement forms are required.

ALDERSGATE UNITED METHODIST
RETIREMENT COMMUNITY, INC.

Member, First Person

Member, Second Person

By: _____

Current Address

Title

City, State, Zip Code

Home Telephone _____

Cell Phone First Person _____

Email First Person _____

Cell Phone Second Person _____

Email Second Person _____

LEASE AGREEMENT
of
Aldersgate United Methodist Retirement Community, Inc.
Charlotte, North Carolina

Our Mission: We honor elders and are committed to creating and fostering diverse, caring communities where everyone has a voice and value.

This contract is entered into by Aldersgate United Methodist Retirement Community, Inc. of Charlotte, North Carolina, hereinafter called "Aldersgate", and _____, hereinafter called "the Resident".

The Resident desires to enter into residence at Aldersgate, and Aldersgate is willing to accept the Resident and to provide services to the Resident, all to be accomplished in accordance with the terms and conditions set forth in this contract. Therefore, Aldersgate and the Resident have agreed as follows:

I. TERM

Aldersgate leases to the Resident, and the Resident leases from Aldersgate, the accommodation known as _____, a private residence on the property of Aldersgate for the term commencing on the ____ day of _____, 201__ and ending on the ____ day of _____, 201__ or a term of thirteen (13) months (the "Term"). The total monthly fee shall be \$_____ per month, of which \$_____ is the accommodation fee and \$_____ is the services/amenities fee. If Resident desires to terminate the lease at the end of the Term, then Resident shall give Aldersgate not less than ninety (90) days' notice of said termination prior to the expiration of the Term. In the event Resident fails to give such termination notice, this contract shall be automatically renewed for an additional thirteen (13) month term with a total monthly fee equal to the then prevailing rate for similar accommodations and service/amenities, as determined by Aldersgate in its discretion.

Aldersgate shall not discriminate against the Resident in the provision of services or in any other manner on the grounds of race, color, creed, religion, sex or national origin.

II. FEES TO BE PAID TO ALDERSGATE

In consideration of admission to Aldersgate, the Resident agrees as follows:

- A. To furnish to Aldersgate complete and accurate information with regard to the nature and extent of his or her assets (now owned or hereafter acquired);
- B. To manage those assets to the best of his or her ability in such a way as to permit the payment of the fees set forth herein;
- C. In the event the accommodation is occupied by two related persons as Residents, and one of said persons for any reason vacates the accommodation, the single occupancy fee will become the new monthly fee on the earlier of the date of such vacation or on the first day of the month following written notice by Resident of such change in occupancy. In the

event a person is added to the Agreement as a resident, upon qualification and approval by Aldersgate, a second person fee will be charged for the new resident in addition to the single occupancy fee charged to the first person;

- D. Upon request, to submit, at the discretion of Aldersgate, annually updated financial information;
- E. To abide by all other terms and provisions of this contract.

III. TERMINATION OF RESIDENCE

- A. If Resident has not occupied his or her residence, at any time within (30) days following the date of this contract, the Resident may terminate this contract. The Resident shall not be required to occupy his or her unit at Aldersgate until such thirty (30) day period is past. In addition, if the Resident dies before occupying his or her unit or, in the judgment of Aldersgate, becomes incapable of meeting the physical or mental requirements for admission before such occupancy, this contract shall be canceled.
- B. Aldersgate shall have the right at any time, upon thirty (30) days' notice in writing to the Resident, to terminate his or her contract because the Resident has failed to meet his or her obligations under this contract. Such notice shall specify the obligation which the Resident has failed to perform. Aldersgate may terminate a resident's lease if:
 - Resident has not paid monthly fees and other charges on a timely basis;
 - Resident engages in behavior that unreasonably interferes with the quiet enjoyment of other Community Members; or
 - Resident has failed to abide by the provisions of the Community's Resident Handbook.

The following may result in immediate termination of lease contract and discharge:

- Resident engages in behavior that negatively impacts or threatens the health, safety or welfare of other Community Members, staff or visitors.
- C. If the Resident does not vacate the premises on the effective date of the termination of this contract, or after notice of default with a failure to cure such default within ten days after receipt of notice, Aldersgate may pursue all judicial remedies under North Carolina Law for the eviction of the Resident.
 - D. If the Resident vacates or is evicted from the residence without removing their personal property from the subject unit, Aldersgate may, without liability for trespass or conversion or any other claim, remove any personal property from the Resident's unit and store such property at Resident's expense. The personal property so removed shall be deemed abandoned if Resident has not made a written demand for the same within thirty days of Resident's vacation or eviction and Aldersgate thereafter has the right to dispose of the property as it deems appropriate without any liability whatsoever. If Resident makes such a demand, the property shall be released to Resident upon payment in full of all costs of removal and storage.

IV. CHANGE OF ACCOMMODATIONS

The Resident may request a change in the type of accommodation from time to time, subject to permission of Aldersgate and the availability of the type requested. If such change is made, the Resident agrees to pay the accommodation and services/amenities fees associated with the new accommodation at the then prevailing rate. Resident will be responsible for any fees associated with the change of accommodation, including moving expenses.

V. CONVERSION TO MEMBERSHIP

Resident may choose to convert this contract to full membership status within the Aldersgate Continuing Care Retirement Community, defined as having access to services associated with levels of care higher than independent living, at a member rate and member priority status, upon satisfaction of all requirements then applicable to membership in Aldersgate's Continuing Care Retirement Community. With conversion, Resident is eligible to receive credit for the time occupied in any lease period (such credit not to exceed 13 months in total) for the accommodation portion of their monthly fee as indicated in this contract. This credit may be applied toward the entrance fee of the accommodation chosen for full membership. At such time of conversion, this contract becomes void and the Resident shall sign an Aldersgate Resident and Services Agreement for Membership.

VI. PAYMENTS TO ALDERSGATE FOR MONTHLY SERVICES

The Resident agrees to pay for his or her residential services on a monthly basis, the fee to be paid in advance by the tenth (10) day of the month. For example, the payment of the fee for June is due by June 10th, the payment for July is due by July 10th, etc. The amount due for each month shall be the amount established by Aldersgate from time to time upon thirty (30) days notice to the Resident. Temporary absence of the Resident from Aldersgate for vacation, travel, business, medical care or otherwise does not change the Resident's obligation to pay the full monthly fee. Aldersgate may charge interest at a rate of one and one-half percent (1&1/2%) per month on any unpaid balance.

VII. SCOPE OF MONTHLY SERVICES

For the monthly fee paid by the Resident, Aldersgate shall provide to the Resident the use of the accommodation selected, board, and housekeeping service in accord with the practices of Aldersgate as they may be in effect from time to time, and the religious, social and creative life of Aldersgate. The services may be changed, added to or deleted from time to time in the sole discretion of Aldersgate. Residents have the option of choosing a meal plan and will be billed accordingly.

NOTE: Monthly fee does not include physicians' fees, outside hospitalization, drugs, phone, internet, cable TV services, medical supplies, dry cleaning, or funeral and burial expenses, all of which remain the sole responsibility of the Resident. Under this contract, Aldersgate is not obligated to provide healthcare services at Parker Terrace, Cuthbertson Village, Asbury Care Center or the Wellness Clinic.

VIII. HEALTHCARE SERVICES

Should the Resident require healthcare services as provided at Aldersgate, there are no guarantees, implied or otherwise, of accommodation availability. Should the Resident be admitted into a healthcare accommodation as identified in Section VII, the Resident agrees to

pay for the services provided at a Direct Admit/Private Pay fee-for-service basis.

IX. ASSIGNMENT AND SUBLETTING

Resident shall not sublease or encumber the accommodation or assign this contract in any way. Occupation of the accommodation by other than permitted occupants may result in termination of this contract.

X. RIGHT OF ENTRY

It is agreed that employees or agents of Aldersgate may need to enter the unit on occasion, and permission is hereby given by Resident. Aldersgate will make reasonable efforts to give notice of any entry whenever possible but is not bound to do so.

XI. PROPERTY MAINTENANCE

By execution of this contract, the Resident agrees that the unit described herein has been inspected by him/her and meets with his/her approval. He/she has found it to be in good and tenable condition, and agrees that at the end of the occupancy hereunder to deliver up and surrender said accommodation to Aldersgate in as good condition as when received, reasonable wear and tear excepted. No alteration, addition or improvements shall be made in or to the accommodation without prior written consent by Aldersgate and then only using materials and contractors approved by Aldersgate. All such work shall be done at Resident's expense and in such manner as Aldersgate may approve. All alterations, additions and improvements to the accommodation shall become part of the accommodation and the property of Aldersgate.

Resident shall use and maintain the accommodation during his/her residency in safe, clean, and sanitary manner and shall, upon termination of the residency, deliver all keys to Aldersgate, remove all personal property and leave the unit.

XII. INSURANCE, RELEASE, AND INDEMNITY

Resident shall insure his/her personal property located or stored within the accommodation or other storage areas that may be provided to the extent of its full insurable value against the risks of damage, destruction or loss resulting from theft and all hazards and casualties. Regardless of whether Resident secures such insurance, all personal property belonging to Resident or to any other persons within the accommodation shall be at the sole risk of the Resident or other such person and neither Aldersgate nor its employees or agents shall be liable for any theft or loss or for any actual damage, destruction or injury from any cause whatsoever to such property. Neither Aldersgate nor its employees or agents shall be responsible for any damage or injury to resident, his/her family or other person.

Resident agrees to indemnify and hold Aldersgate harmless against all claims, actions, or causes of actions, costs or damages sustained by reason of any act, omission, or other occurrence causing damage or injury to any person or property arising out of or connected with the use, occupancy, or control of the accommodation by Resident, his family, agents or guests, unless the damage or injury is proximately caused by the negligence of Aldersgate, its employees or agents.

In the event that any amount shall become due to Aldersgate under this contract and as a result thereof, Aldersgate is required to retain the services of an attorney, Resident agrees to pay such reasonable attorney's fees up to fifteen percent of the total amount owing along with any interest

and costs incurred by Aldersgate in obtaining or attempting to obtain payment of any such amount owing by Resident.

XIII. RULES AND REGULATIONS

In order to operate Aldersgate in the best interests of the entire Aldersgate community, it is understood that Aldersgate will from time to time adopt policies, practices, rules and regulations governing the operation of Aldersgate and the occupancy by its Residents. Resident agrees to comply with such policies, practices, rules and regulations now in effect or hereafter adopted. Non-compliance with policies, practices, rules and regulations may be cause for termination of this agreement.

XIV. DEATH OF A RESIDENT

Death of a Resident shall be treated as a termination of Contract on the date of death for the purposes of Section III. Any refund of accommodation and service/amenities fees that may be due, (however reduced by amounts otherwise due and payable as enumerated under the provisions of this contract) shall be paid to the estate of the Resident.

XV. RELATIONSHIP TO CHURCH

Aldersgate is affiliated with the Western North Carolina Conference of the United Methodist Church. However, Resident acknowledges that Aldersgate is an independent corporation which is solely responsible for carrying out its obligations hereunder and that neither the United Methodist Church, the Western North Carolina Conference of the United Methodist Church, nor any agency of them has any financial or contractual obligation to the Resident because of this contract.

XVI. PROPERTY RIGHTS

This contract does not create in the Resident any rights in or to the property of Aldersgate in general, nor specifically, in the accommodation which may be occupied from time to time by the Resident.

Date: _____, 20____

(Lessee)

(Lessee)

President

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THOUGHTFULLY GROWING. NATURALLY INVITING.

**ACKNOWLEDGMENT OF RECEIPT OF
THE DISCLOSURE STATEMENT
OF
ALDERSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.**

Our Mission: We honor elders and are committed to creating and fostering diverse, caring communities where everyone has a voice and value.

I, _____, with this statement, acknowledge receipt of the Disclosure Statement of Aldersgate United Methodist Retirement Community, Inc., dated June 1, 2019. This Disclosure Statement was made available to me prior to the signing of the Residence & Services Agreement.

Signature

Date

Signature

Date

Attachment IV

Unaudited Financial Statements



Managerial Financial Reporting Package

April 30, 2019

Statement of Operations

Aldersgate

Description	YTD April							
	2019				2018			
	Actual	Plan	Variance Fav/(Unfav)	% Var	Actual	Variance Fav/(Unfav)	% Var	
Resident Service Revenue - IL	\$ 3,776,245	\$ 4,406,844	\$ (630,598)	-14.3%	\$ 3,519,874	\$ 256,371	7.3%	
Resident Service Revenue - AL	936,333	917,245	19,088	2.1%	920,363	15,970	1.7%	
Resident Service Revenue - MS	1,380,683	1,413,925	(33,242)	-2.4%	1,357,609	23,074	1.7%	
Resident Service Revenue - SNF	4,943,903	4,429,684	514,219	11.6%	4,226,742	717,161	17.0%	
Other Resident Revenue	284,524	84,133	200,390	238.2%	315,115	(30,591)	-9.7%	
Total Resident Revenue	11,321,687	11,251,831	69,856	0.6%	10,620,910	700,778	6.6%	
Amort. - Deferred Entrance Fee Income	\$ 539,390	\$ 958,513	\$ (419,123)	-43.7%	\$ 912,874	\$ (373,485)	-40.9%	
Total Investment Income	158,370	145,089	13,280	9.2%	132,265	26,104	19.7%	
Realized Investment Gains/Losses	(5,853)	100,000	(105,853)	-105.9%	82,574	(88,427)	-107.1%	
Unrestricted Contribution Income	41,412	120,000	(78,588)	-65.5%	384,910	(343,498)	-89.2%	
Provision for Uncollectibles	11,584	-	11,584	-	7,697	3,887	50.5%	
Rental Income	87,488	101,402	(13,914)	-13.7%	-	87,488	-	
Total Revenue and Support	12,154,077	12,676,835	(522,757)	-4.1%	12,314,502	(160,425)	-1.3%	
Total Resident Service Costs	11,132,826	9,954,063	(1,178,763)	-11.8%	10,245,920	(886,906)	-8.7%	
Management Fee Expense	563,470	573,207	9,738	1.7%	-	-	0.0%	
Interest Expense	1,682,601	\$ 2,071,283	388,682	18.8%	\$ 1,723,944	41,343	2.4%	
Depreciation	1,859,571	\$ 2,048,000	188,429	9.2%	\$ 1,589,584	(269,988)	-17.0%	
Amortization Exp - OID	103,581	\$ 228,888	125,308	54.7%	\$ 75,516	(28,065)	-37.2%	
Non-Resident Service Costs	4,209,223	4,921,379	712,156	14.5%	3,389,044	(820,179)	-24.2%	
Total Operating Expenses	15,342,049	14,875,442	(466,607)	-3.1%	13,634,964	(1,707,085)	-12.5%	
Operating Income/(Loss)	\$(3,187,972)	\$(2,198,607)	\$ (989,365)	-45.0%	\$(1,320,462)	\$(1,867,510)	-141.4%	
Net Operating Margin	-3.21%	6.44%			5.15%			

Statement of Operations

Aldersgate

Description	April							
	2019				2018			
	Actual	Plan	Variance Fav/(Unfav)	% Var	Actual	Variance Fav/(Unfav)	% Var	
Resident Service Revenue - IL	\$ 996,070	\$ 1,148,390	\$ (152,320)	-13.3%	\$ 874,564	\$ 121,506	13.9%	
Resident Service Revenue - AL	238,949	229,311	9,638	4.2%	236,480	2,470	1.0%	
Resident Service Revenue - MS	352,808	353,481	(674)	-0.2%	356,156	(3,348)	-0.9%	
Resident Service Revenue - SNF	1,220,693	1,107,421	113,272	10.2%	1,064,197	156,497	14.7%	
Other Resident Revenue	75,056	21,033	54,022	256.8%	51,722	23,334	45.1%	
Total Resident Revenue	2,883,576	2,859,636	23,939	0.8%	2,583,118	300,458	11.6%	
Amort. - Deferred Entrance Fee Income	\$ 308,528	\$ 239,628	\$ 68,899	28.8%	\$ 171,804	\$ 136,723	79.6%	
Total Investment Income	(2,053)	36,272	(38,325)	-105.7%	80,761	(82,814)	-102.5%	
Realized Investment Gains/Losses	92	25,000	(24,908)	-99.6%	1,107	(1,015)	-91.7%	
Unrestricted Contribution Income	6,266	30,000	(23,734)	-79.1%	8,026	(1,761)	-21.9%	
Provision for Uncollectibles	(9,222)	-	(9,222)	-	2,628	(11,850)	-450.9%	
Rental Income	11,436	25,350	(13,914)	-54.9%	-	11,436	-	
Total Revenue and Support	3,198,622	3,215,887	(17,265)	-0.5%	2,847,445	351,177	12.3%	
Total Resident Service Costs	3,354,775	2,515,099	(839,676)	-33.4%	2,443,714	(911,062)	-37.3%	
Management Fee Expense	144,255	143,302	(953)	-0.7%	-	-	0.0%	
Interest Expense	406,076	\$ 517,821	111,745	21.6%	\$ 430,990	24,914	5.8%	
Depreciation	464,781	\$ 512,000	47,219	9.2%	\$ 375,371	(89,410)	-23.8%	
Amortization Exp - OID	25,995	\$ 57,222	31,228	54.6%	\$ 13,085	(12,909)	-98.7%	
Non-Resident Service Costs	1,041,106	1,230,345	189,239	15.4%	819,446	(221,660)	-27.0%	
Total Operating Expenses	4,395,881	3,745,443	(650,438)	-17.4%	3,263,160	(1,132,721)	-34.7%	
Operating Income/(Loss)	\$(1,197,259)	\$(529,556)	\$ (667,703)	-126.1%	\$(415,715)	\$(781,544)	-188.0%	
Net Operating Margin	-21.66%	7.04%			5.50%			

Balance Sheet

<u>Category</u>	April 2019	December 2018
Cash and Cash Equivalents	\$ 9,927,125	\$ 1,648,674
Investments	14,446,516	13,999,616
Accounts Receivable-Net	2,221,193	1,879,559
Entrance Fees Receivable	1,910	196,200
<u>Prepaid Expenses & Other Current Assets</u>	<u>2,210,116</u>	<u>1,017,300</u>
Total Current Assets	28,806,860	18,741,349
Plant Property & Equipment - Net	126,432,501	124,416,384
Statutory Operating Reserve	9,241,181	9,241,181
Board-Designated Fund	1,038,418	1,038,418
Held Under Bond Agreement	11,433,735	11,979,861
<u>Other Assets</u>	<u>39,589</u>	<u>212,179</u>
Total Assets	<u>176,992,285</u>	<u>165,629,372</u>
Accounts Payable & Accrued Expenses	8,862,496	8,854,013
Entry Fee Deposits	2,272,359	3,609,588
<u>Current Portion of Long-term Debt</u>	<u>1,620,000</u>	<u>1,620,000</u>
Total Current Liabilities	12,754,855	14,083,601
Long Term Debt Net of Current Portion	117,567,562	118,487,397
Deferred Income - Entrance Fees	19,525,285	15,340,198
<u>Refundable Entrance Fees</u>	<u>40,669,058</u>	<u>30,288,723</u>
Total Liabilities	<u>190,516,760</u>	<u>178,199,919</u>
Total Unrestricted=====	(14,398,501)	(13,415,759)
Total Temporarily Restricted=====	229,410	200,596
<u>Total Permanently Restricted=====</u>	<u>644,616</u>	<u>644,616</u>
Total Net Assets	<u>(13,524,475)</u>	<u>(12,570,547)</u>
Total Liabilities & Net Assets	<u>\$ 176,992,285</u>	<u>\$ 165,629,372</u>

Statement of Cash Flows



Unaudited

**FYTD April
2019**

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase (decrease) in Net Assets	\$	(3,191,549)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation		1,859,571
Amortization		103,581
Provision for Uncollectibles		11,584
Amort. - Deferred Entrance Fee Income		(539,390)
Realized Investment Gains/Losses		5,853
Changes in Operating Assets and Liabilities:		
Accounts Receivable		(327,679)
Entrance Fees Receivable		194,290
Prepaid Expenses and Other Assets		(1,020,227)
Deferred Income		(35,098)
Total Accounts Payable & Accrued Expenses		853,728
Net cash provided by (used in) operating activities		(2,085,334)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Property and Equipment Net of Dispositions	\$	(3,875,689)
(Increase)/Decrease in Assets Held Under Bond Agreement		546,126
Accounts Payable Construction		(835,687)
(Increase)/Decrease in Gateway Entrance Fee Deposits		(1,224,832)
Transfers to (from) Restricted Funds		28,814
Net Sales/Maturities (Purchases) of Investments		1,756,054
Net cash provided by (used in) investing activities		(3,605,214)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from Construction Loan net of Payments	\$	(620,476)
Payments of Long-term Debt		(402,940)
Gateway Entrance Fees		15,406,207
Entrance Fees Received but not Moved In		(434,546)
Entry fee deposits		(112,396)
Entrance Fees Received		1,226,901
Entrance Fees Refunded		(1,093,750)
Net cash provided by (used in) financing activities		13,968,999

Net Increase/(Decrease) In Cash & Equivalents		8,278,451
Cash & Equivalents—Beginning of Fiscal Year		1,648,674
Cash & Equivalents—End of Month	\$	9,927,125