



# Disclosure Statement

March 1, 2019

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

- ◇ This disclosure statement may be delivered until revised, but not after July 29, 2020.
- ◇ This disclosure statement is required by North Carolina law to be delivered to a prospective resident prior to execution of a Residency Agreement.
- ◇ This disclosure statement has not been approved by any government agency or representative to ensure accuracy or completeness of the information set out.

United Church Homes and Services, d/b/a Abernethy Laurels  
100 Leonard Avenue, Newton, NC 28658

**Phone:** 828.464.8260  
**Toll free:** 877.637.7941

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## Section I: **Organization Introduction and Information**

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### **Corporation Statement**

United Church Homes and Services (“UCHS”) is a not-for-profit corporation chartered pursuant to the North Carolina Nonprofit Corporation Act. United Church Homes and Services is sponsored by the United Church of Christ. UCHS was originally incorporated in North Carolina in 1961.

The Corporation is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. In the event that the Corporation is assessed sales or use tax on Monthly and/or Daily Fees and/or fees for other services, the Resident will be responsible for all such taxes.

A volunteer Board of Directors governs the Corporation. The Conference Minister of the Southern Conference, with offices in Burlington, North Carolina, serves as an ex-officio member of the Board with voice but no vote. The Corporation is a member of the American Health Care Association, North Carolina Health Care Facilities Association, LeadingAge, LeadingAge North Carolina and the Council for Health and Human Service Ministries of United Church of Christ.

The Corporation is a not-for-profit organization that owns and/or manages continuing care retirement communities in Newton (Abernethy Laurels), Thomasville (Piedmont Crossing), North Carolina, and Suffolk (Lake Prince Woods), Virginia, which consist of residential living, adult care (assisted living) and skilled nursing levels of care. The home office of the Corporation is located at 100 Leonard Avenue, Newton, North Carolina, Catawba County 28658. The Corporation employs a President and Chief Executive Officer who is authorized to have full executive power to carry out the policies and directives of the Board of Directors on a day-to-day basis. Each continuing care retirement community (Abernethy Laurels, Piedmont Crossing and Lake Prince Woods,) has an Executive Director employed and authorized to carry on the day-to-day operations of their respective campus. UCHS also provides management services for Carolina SeniorCare, a PACE (Program of All-inclusive Care for the Elderly) center located in Lexington, North Carolina.

Lake Prince At Home, LLC, (herein referred to as LPAH) a limited liability company, organized under the laws of the State of North Carolina, was formed upon the issuance of its articles of organization by the North Carolina Department of the Secretary of State on October 16, 2017. LPAH also registered for authorization to do business in the Commonwealth of Virginia, through the State Corporation Commission, on November 28, 2017. LPAH’s sole member is Lake Prince Center, Inc. LPAH obtained its Home Care Organizational License from the Virginia Department of Health Office of Licensure and Certification, effective August 1, 2018.

In order to protect the health and safety of all residents, management retains the authority to evacuate and relocate residents upon threat of disasters. In cooperation with local emergency management agencies, Abernethy Laurels maintains a current evacuation plan to be implemented upon threat of pending disasters including, but not limited to, hurricanes or floods, warnings of the movement of airborne hazardous materials due to transportation accidents, or the recognition of unstable conditions at nuclear power plants. All residents must fully cooperate with evacuation plans when the order to evacuate has been issued by management. If any resident fails to cooperate with evacuation plans, management will take the necessary actions including assistance from law enforcement and emergency



management agencies to remove the resident from Abernethy Laurels and transport to another location. No waivers of responsibility will entitle a resident to remain at the Community following an order for emergency evacuation.

The Corporation provides various administrative, accounting and management services, and in most cases sponsorship and start-up funding, for the following entities:

- ◆ Carolina SeniorCare
- ◆ Lake Prince Center, Inc., d.b.a. (“Lake Prince Woods”)
- ◆ United Church Homes and Services Foundation (“Foundation”)

Under the principles of consolidation as set forth by accounting principles generally accepted in the United States of America, the financial statements of Carolina SeniorCare, Lake Prince Woods, and the Foundation are consolidated with the Corporation’s financial statements. Neither the Southern Conference of the United Church of Christ nor any other unit of the United Church of Christ is responsible for financial obligations of the Corporation.

**Our Mission**

A Christian Ministry providing vibrant living, diverse programs of outreach and compassionate services.

**Our Vision**

Enriching lives by providing the right services at the right time, in the right setting.

**Our Values**

- ❖ **Compassion** .....we treat all individuals with understanding, care and respect
- ❖ **Innovation**.....we are continually changing in order to meet new needs
- ❖ **Integrity**.....we are honest, accountable and transparent in our services, communications, and the fulfillment of our mission
- ❖ **People** .....we are committed to hiring and investing in dedicated, passionate people
- ❖ **Quality** .....we strive to provide excellent service surpassing ordinary standards and expectations
- ❖ **Value**.....we aim to be the provider of choice making services accessible to as many as possible

## United Church Homes and Services' Board of Directors

The Board of Directors of United Church Homes and Services is comprised of the following members:

<b>BOARD MEMBERS</b>	<b>TELEPHONE NUMBER</b>	<b>TERM EXPIRES</b>
<b>Brenda C. Eckard</b> ❖ 2904 Bethany Church Road Claremont, NC 28610	828.464.2727	2019 2 <sup>nd</sup> Term Board Secretary
<b>Parker D. Howell, III</b> ❖ Post Office Box 2278 Suffolk, VA 23432	757.255.4721 757.620.9264 (M)	2019 2 <sup>nd</sup> Term Board Vice Chairperson
<b>Randall L. Orwig</b> Post Office Box 625 Elon, NC 27244	336.584.0391 (B) 336.214.1304 (M)	2019 2 <sup>nd</sup> Term
<b>James W. Buchanan, Sr.</b> 610 Indian Wells Circle Lexington, NC 27292	336.956.1997	2019 2 <sup>nd</sup> Term
<b>Mark W. Sigmon</b> ❖ 6448 Love Point Rd Denver, NC 28037	704.483.5072 704.489.8940 (B)	2019 Unexpired Term Member At Large
<b>Beth L. Deal</b> 4678 White Eagle Lane Hickory, NC 28601	828.294.3641	2019 1 <sup>st</sup> Term
<b>Gregory M. Alcorn</b> c/o GCS Agents 118-B South Main Street Salisbury, NC 28144	704.637.9732 704.647.9621 (B) 704.647.9792 (F)	2020 3 <sup>rd</sup> Term
<b>J. Ray Deal</b> ❖ 2045 Stuart Court Burlington, NC 27215-4576	336.584.3612 336.584.4448 (B) 336.584.5656 (F)	2020 3 <sup>rd</sup> Term Past Board Chairperson
<b>Naomi Y. East</b> 930 25th Avenue Dr. NW Hickory, NC 28601	828.324.7130	2020 3 <sup>rd</sup> Term
<b>Linda Morris</b> ❖ 201 Parkmont Drive Greensboro, NC 27408	336.545.7866 336.541.2838 (C)	2020 3 <sup>rd</sup> Term Board Chairperson
<b>Kelsey McCleave</b> 3630 Enduring Freedom Drive Raleigh NC 27610	828.218.4285 919.642.6935 (B)	2020 2 <sup>nd</sup> Term
<b>Anthony J. Branch</b> 16810 Kenton Drive, Suite 100 Huntersville, NC 28078	704.467.5851 (C) 704.655.2343 (B)	2020 1 <sup>st</sup> Term

BOARD MEMBERS	TELEPHONE NUMBER	TERM EXPIRES
<b>Hunter March</b> 908 West Washington Street Suffolk, VA 23434	757.934.0755	2020 1 <sup>st</sup> Term
<b>Brad Thie</b> 2 Paradise Place Durham, NC 27705	828.234.3389 (C)	2021 2 <sup>nd</sup> Term
<b>Eddie Beard</b> 810 Fairgrove Church Road Hickory, NC 28602	828.326.3800 (B)	2021 1 <sup>st</sup> Term
<b>Walter Hoffman</b> ❖ 115 East Center Street Lexington, NC 27292	336.225.8868 336.224.2621 (B)	2021 1 <sup>st</sup> Term Finance Committee Chairperson
<b>Kathy H. Wood</b> 31 First Avenue Hickory, NC 28602	828.244.5578 (C)	2021 1 <sup>st</sup> Term
<b>Gene Hamilton</b> * 201 7 <sup>th</sup> Street, NE Conover, NC 28613	828.612.7601	Abernethy Laurels Advisory Council Chairperson
<b>Cory S. Tobin</b> * 3993 2B Clubhouse Court High Point, NC 27265	336.905.0203	Piedmont Crossing Advisory Council Chairperson
<b>Margie Wiley</b> * 1889 Governor's Point Drive, Suite A Suffolk, VA 23436	757.529.2617 757.809.2130	Lake Prince Woods Advisory Council Chairperson
<b>Edward Davis</b> * 252-B West Fifth Street Burlington, NC 27215	336.343.4066	Southern Conference Minister United Church of Christ

❖ Indicates Member of Executive Committee

\* Ex-Officio

*By virtue of office:*

*Past Board Chairperson (voice and vote)*

*Advisory Council Chairperson(s) (voice and vote)*

*Southern Conference Minister (voice, no vote)*

*President and CEO of United Church Homes and Services (voice, no vote)*

*Executive Assistant/Assistant Secretary of the Corporation (voice, no vote)*

## **Home Office Administration**

### **Lee B. Syria, President and Chief Executive Officer**

- ◆ Was named President and CEO of UCHS, effective October 1, 2012 and worked as Interim President and CEO from February 28 through September 30, 2012. Previously served as Senior Vice President of Operations for UCHS since July 2008.
- ◆ Was previously employed with UCHS as Vice President of Human Resources, beginning October 2003, and served as Director of Human Resources with UCHS three years prior to her promotion from the position of Personnel Manager of Abernethy Laurels (UCHS), beginning June 1997.
- ◆ Was named as a certified Consecrated Diakonal Minister through the Council for Health and Human Service Ministries in 2008.
- ◆ Has been a licensed Nursing Home Administrator (NHA) since 2006 and holds an NHA license in the State of North Carolina and in the Commonwealth of Virginia.
- ◆ Earned a Masters degree in Business Administration from Gardner-Webb University and a Bachelor of Science degree in Business Administration (Healthcare Management) from Appalachian State University.

### **Joy B. Cline, Chief Marketing and Public Relations Officer**

- ◆ Has worked as Chief Marketing and Public Relations Officer since 2011.
- ◆ Was Director of Development and Public Relations at Abernethy Laurels, before accepting the position of Senior Director of Marketing & Sales for United Church Homes and Services in 2008.
- ◆ Was previously employed as Executive Vice President with the Catawba County Chamber of Commerce, Hickory, NC.
- ◆ Was named as a certified Consecrated Diakonal Minister through the Council for Health and Human Service Ministries in 2014.
- ◆ Holds a Bachelor of Arts Degree in Business Administration from Lenoir-Rhyne College.
- ◆ Has been a licensed Nursing Home Administrator in the State of North Carolina since 2008.

### **Cathy Cooper, Chief Human Resources Officer**

- ◆ Has worked as Chief Human Resources Officer since June 22, 2015
- ◆ Was previously Senior Director Human Resources and Transitions of Richfield Hospitality, a hospitality management company based in Denver, Colorado from November 2004 to June 2015.
- ◆ Served in Human Resources and Operations with Hilton Knoxville from 1998-2004 and with Old Town Resorts, Key West, FL in Operations from 1995-1998.
- ◆ Earned the Senior Professional Human Resources (SPHR) designation from HRCI in 2004.
- ◆ Received the SHRM-SCP (Society Human Resources Management Senior Certified Professional) designation in January 2015.
- ◆ Earned a Bachelor of Science in Business Administration degree from LaSalle University.

**Stephen T. Paterson**, Chief Quality and Compliance Officer

- ◆ Has worked as Chief Quality and Compliance Officer since July 1, 2002.
- ◆ Was previously employed with United Church Homes and Services as Vice President of Administration of Abernethy Laurels since June 23, 1993.
- ◆ Served as Executive Director with Southern California Presbyterian Homes in Glendale, California for six years, and has experience in healthcare management since 1980.
- ◆ Has been a licensed Nursing Home Administrator (NHA) since 1985 and has an NHA license in the State of North Carolina and in the Commonwealth of Virginia.
- ◆ Earned a Master of Health Care Management degree from California State University and a Bachelor of Science degree in Health and Safety Studies.
- ◆ Holds certificates in Health Care Compliance (CHC) and Healthcare Privacy Compliance (CHPC) by the Health Care Compliance Association.

**Aimee N. Reimann**, Chief Operating Officer

- ◆ Has worked as Chief Operating Officer since June 1, 2013.
- ◆ Was previously employed by UCHS as the Vice President of Home and Community Based Services from April 2011 to June 2013.
- ◆ Was previously employed as the Executive Director of Abernethy Laurels, beginning in January 2008.
- ◆ Was previously employed as Administrator of Lutheran Home in Winston-Salem, North Carolina.
- ◆ Has been a licensed Nursing Home Administrator in the State of North Carolina since 2004.
- ◆ Has experience in various aspects of management since 1998.
- ◆ Earned a Bachelor of Arts degree in Nutrition from Indiana University of Pennsylvania.
- ◆ Holds a Fellows designation from the LeadingAge Leadership Academy.

**Gary W. Shull**, Chief Financial Officer

- ◆ Became Chief Financial Officer effective January 6, 2005, and served in the position of Controller for a year prior to his promotion.
- ◆ Served in the field of healthcare finance since 1974 and as Chief Financial Officer and/or Corporate Controller in various organizations since 1979.
- ◆ Earned a Bachelor of Science Degree in Accounting from Appalachian State University.

**Nancy M. Beard**, President, United Church Homes and Services Foundation

- ◆ Has worked as President of the UCHS Foundation since December 2011.
- ◆ Served on the leadership team of LIFESPAN for over ten years, an organization serving children and adults with developmental disabilities.
- ◆ Holds a Certified Fund Raising Executive (CFRE) credential, awarded in 2004
- ◆ Was named as a certified Consecrated Diakonal Minister through the Council for Health and Human Service Ministries in 2014.
- ◆ Holds a Bachelor of Arts Degree from Queens University, Charlotte, NC, where she graduated Magna Cum Laude.
- ◆ Obtained a Certificate in Nonprofit Management from Duke University's Office of Continuing Studies in 2006.

## Community Administration

**Amber McIntosh**, Executive Director, Abernethy Laurels

- ◆ Has worked as the Executive Director of Abernethy Laurels since April 2013.
- ◆ Was previously employed, since 2001 by Lutheran Home-Hickory, Inc., and served most recently as Executive Director for two campuses in Hickory for Lutheran Services Carolinas.
- ◆ Has experience in various aspects of healthcare management since 1991 including Adult Day Health, Assisted Living and Skilled Nursing.
- ◆ Has been a licensed nursing home administrator since 1995.
- ◆ Holds a Bachelor of Science in Business Administration from Appalachian State University.

**Judy O. Raymond**, Executive Director, Lake Prince Woods

- ◆ Has worked as the Executive Director of Lake Prince Woods since September 2010.
- ◆ Was previously employed, since 1994 by Westminster-Canterbury on Chesapeake Bay, most recently, as Vice President of Resident and Health Services.
- ◆ Has experience in various aspects of healthcare management and senior housing since 1985.
- ◆ Holds a Bachelors of Arts Degree in Leisure Studies from Salisbury State University.
- ◆ Has been a licensed Nursing Home Administrator since 2002.

**Douglas P. Russell**, Executive Director, Piedmont Crossing

- ◆ Has worked as the Executive Director of Piedmont Crossing since February 2013.
- ◆ Previously worked, since 2008 at Twin Lakes Community, most recently as Healthcare Administrator.
- ◆ Has owned his own business in Atlanta for over 28 years.
- ◆ Has been a licensed nursing home administrator and assisted living administrator since 2009.
- ◆ Certified Aging Services Professional (CASP) since 2011.
- ◆ Holds a Master of Science in Health Services Administration from Central Michigan University and a Bachelor of Science Degree in Business Administration from the University of North Carolina at Chapel Hill.

*No member of the Board of Directors of United Church Homes and Services, Home Office Administration or Community Administration has been convicted of a felony or pleaded nolo contendere to a felony charge or have been held liable or enjoined in a civil action by final judgment, where the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property. No member of the Board of Directors of United Church Homes and Services, Home Office Administration or Community Administration is subject to a currently effective injunctive or restrictive court order, or within of an action brought by a government agency or department, where the order or action arose out of or related to business activity of healthcare, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for aged, or facility subject to North Carolina General Statute 58-64-20 or similar law in another state.*

*In accordance with North Carolina General Statute ("GS") § 58-64-20(a)(3)(b)], through this statement, it is hereby disclosed that no owner, officer, or person managing the Community on a day to day basis has a 10% or greater interest in any other entity or if any other entity has a 10% or greater interest in any owner, officer, or person managing the Community on a day to day basis has or will provide \$500 or more in goods or services to the Community.*

## Section II: Community Introduction and Information

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### **Abernethy Laurels**

102 Leonard Avenue

Newton, NC 28658

Executive Director: Amber McIntosh

Abernethy Laurels combines the peace of a rural setting with the proximity of city life within easy driving distance. The community is nestled on 120 acres with abundant green space and attractive home sites. Abernethy Laurels became operational August 9, 1971, was the first United Church Homes and Services' continuing care retirement community, and has a rich history of quality service and amenities.

Each individual's application for admission is reviewed through an admissions process giving attention to health needs, social interests, along with financial and age requirements.

Abernethy Laurels is located two miles east of downtown Newton, NC, on Highway 16, in the foothills of the Blue Ridge Mountains of North Carolina. From Interstate 40, take Exit 132/NC16. Turn South onto Thornburg Drive/NC16 and travel approximately six miles. Turn left on NC16 South at the Chevrolet dealership. Abernethy Laurels is located approximately one mile on the left.

<b>Health Center</b>	<u>Available</u>	<u>Occupied</u>
Nursing Beds	174	148
<b>Residential Living Units</b>	<u>Available</u>	<u>Occupied</u>
Apartments	41	25
Villas	62	59
Cottages	26	24
<b>Pavilion</b>	<u>Available</u>	<u>Occupied</u>
Apartments	38	25
Studios	22	15
Adult Care	18	14

*There are approximately 355 residents residing at the Abernethy Laurels campus as of September 30, 2018, and of this total, approximately 201 residents currently hold a continuing care contract with UCHS.*

## Section III: Policies

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### **Admissions Policy Statement**

Admission to Residential Living Units shall follow the guidelines as established by UCHS. Each individual's Application for Admission is reviewed through an admissions process giving attention to health needs, social interests, financial and age requirements. The financial statement is carefully reviewed to insure that the expenses incurred by residing at the Community would not place a financial hardship on the Resident or the Corporation. The applicant is notified of the decision regarding residency following the application review process. Depending upon the amount of time that has elapsed since the initial acceptance and whether any rate changes have been implemented, an applicant's financial status may be reevaluated.

The following guidelines are used in making a decision regarding approval of an application for admission:

#### **1. Health Needs**

An individual's health must be such that he/she is capable of meeting the requirements of residing in the Residential Living Unit that does not include any daily or other living services in the program for this level of living, such as those involving food preparation, housekeeping, medication administration, toileting, mobility, decision-making, shopping, financial management, bathing, dressing, grooming or hygiene. The individual must be able to meet the requirements listed above by himself/herself, or with the assistance of (1) aide, attendant, the Abernethy Laurels' Home Care Agency, Laurels At Home, or other outside support service, which the individual arranges for and follows the Corporation's private duty policy (2) the provision of reasonable accommodations, and/or (3) a reasonable modification of the Residential Living Unit.

#### **2. Social Interests**

The individual's interests, temperament and outlook should be such that they will contribute to the Community and will be able to live in harmonious relationship with other residents. It is important to consider the ways the individual will benefit from a social setting provided in a Community and how other residents will benefit from the individual's presence in the community.

#### **3. Financial Requirements**

Applicants should have sufficient income and assets to pay for all necessary fees and still be able to continue in their present lifestyle. Expenses related to health conditions and any required support services are carefully considered. If the applicant has a long-term care insurance policy that covers nursing home care this will be considered. A financial analysis is completed utilizing actuarial data. Marginal applicants will be reviewed for the possibility of other alternatives including other UCHS campuses, other Residential Living Units on the desired campus, and other options available for payment. In the event that the Corporation is assessed sales or use tax on Monthly, Daily Fees, and/or fees for other services, the Resident will be responsible for all such taxes.



#### **4. Age Requirements**

The age for admission is at least sixty-two (62) years. If application is for two individuals (referred to hereinafter as a “couple”) to occupy one Residential Living Unit, at least one of the two individuals must be at least sixty-two (62) years of age.

### **Residency Agreement Policies**

#### **1. Basic Requirements**

##### **(a) Cancellation Prior to Occupancy Due to Death, Illness or Incapacity**

If the Residency Agreement is entered into prior to occupancy of the Residential Living Unit and the Resident dies before occupying the Residential Living Unit, or if, on account of illness, injury, or incapacity, the Resident would be precluded from occupying the Residential Living Unit, the Residency Agreement is automatically cancelled and the Resident or legal representative of the Resident shall receive a refund of all money or property transferred to the Corporation:

- (i) less any nonstandard costs specifically incurred by the Corporation at the request of the Resident, and
- (ii) any refund due the Resident for cancellation of the Residency Agreement under these circumstances will be made within forty-five (45) days after receipt by the Corporation of a written notice of the Resident’s death, illness or incapacity.

##### **(b) Cancellation by the Resident Within Thirty (30) Days of Contract Execution:**

Notwithstanding any other provision of the Residency Agreement, the Resident may rescind the Residency Agreement within thirty (30) days following the execution of the Residency Agreement (or the receipt of a disclosure statement, if later) in which event any money paid will be refunded in full, other than:

- (i) the Monthly Support Service Fee applicable to the period a Residential Living Unit was occupied by the Resident;
- (ii) any damage caused to the Residential Living Unit during occupancy or in moving;
- (iii) any nonstandard costs specifically incurred by the Corporation at the request of the Resident; and
- (iv) any refund due the Resident under this thirty (30) day provision will be made within forty-five (45) days after receipt by the Corporation of a written notice of cancellation from the Resident. The Resident is not required to move into the Residential Living Unit before the expiration of this thirty (30) day period.

(c) Cancellation by Resident Between Thirtieth (30th) and Ninetieth (90th) Day of Occupancy  
During the first ninety (90) days of occupancy, the Resident will have the right to terminate the Residency Agreement by serving the Corporation with written notice of such termination. During the ninety (90) day period, the Corporation also has the right to terminate the Residency Agreement based on its judgment regarding the Resident's ability to adjust to this lifestyle. Any money paid will be refunded in full, other than:

- (i) the Monthly Support Service Fee applicable to the period the Residential Living Unit was occupied by the Resident;
- (ii) a ten percent (10%) reduction in the initial Residency Fee paid as specified in the selected agreement;
- (iii) cost for repair of any damage caused to the Residential Living Unit during occupancy or in moving;
- (iv) any nonstandard costs specifically incurred by the Corporation at the request of the Resident; and
- (v) any refund due the Resident for termination during this period will be made within thirty (30) days after the Residential Living Unit is vacated.

(d) Cancellation By the Resident After Ninety (90) Days of Occupancy:

After the ninety (90) day period, this Residency Agreement may be terminated by the Resident at any time by serving the Corporation a sixty (60) day advance written notice of such termination. Any refund due the Resident will be made only when the last Residential Living Unit to have been occupied by the Resident is covered by a new Residency Agreement with another person or persons and all new fees have been paid in full.

(e) Terminations By the Corporation:

The Corporation may terminate the Residency Agreement at any time if:

- (i) there has been any material misrepresentation or omission made by the Resident on the Application Form;
- (ii) there is conduct on the part of the Resident that threatens the safety or well-being of the Resident, that of the Resident's neighbors, or employees of the Corporation.

(f) Joint Occupancy of Residential Living Unit:

If another individual ("Other Resident") signs a separate Residency Agreement to share occupancy of the same Residential Living Unit with the Resident, in the event of the death of the Other Resident, or the removal of the Other Resident from the Residential Living Unit on a permanent basis for any reason, the remaining Resident will continue to enjoy all rights, privileges, and obligations of the Residency Agreement. Any refund of the Residency Fee due under either of said Residency Agreements will not be computed until the termination of both Residency Agreements due to death or otherwise, and any refund due under either Residency Agreement will be paid to the Resident or Other Resident who is the last to terminate their Residency Agreement.

## **2. Changes in Occupancy**

- (a) Should the Resident choose to marry and the new spouse is not a resident of the Community, the spouse will be required to submit an application for admission. The spouse would complete the regular admission process including the payment of all fees, which may include but not be limited to the upgraded and readjusted Residency Fee, and the monthly Support Service Fee. If denied, the couple will then have sixty (60) days to make other living arrangements. If the couple must make other living arrangements, any monies to be returned will be paid to the individual who was a contracted resident of the Community. This refund will be paid within thirty (30) days after the date that the last Residential Living Unit to have been occupied by the Resident has been vacated and made available for remarketing.
- (b) Should the Resident choose to marry another resident and the two choose to occupy a single Residential Living Unit, any fees to be returned to the person vacating their Residential Living Unit will be set aside and held by the Corporation for use by that Resident to pay for necessary healthcare expenses should that Resident need nursing care.
- (c) After the Resident has occupied a Residential Living Unit, should the Resident desire to have another individual move in with him/her (including a new spouse), the new individual shall complete the normal admission process including the payment of all fees. If the application for admission is approved, either the original Residency Agreement shall be amended or new Residency Agreements shall be executed which specify the new rates and terms established by the Corporation.
- (d) Should a couple occupying a Residential Living Unit choose to no longer share a single living unit, one of the Residents may remain in the occupied unit with that Resident becoming solely entitled to any refund which may be later due under the Residency Agreement, and that Resident will continue to enjoy all rights, privileges and obligations of said Residency Agreement. A separate and new Residency Agreement must be executed for the Other Resident moving out of the Residential Living Unit and into another Residential Living Unit. Should the Other Resident vacating the Residential Living Unit choose to leave the Community and find other living opportunities, the Other Resident is not entitled to any refund and the Corporation shall have no further obligations to that Resident or their heirs, executors, administrators, or assigns.

## **3. Residency**

- (a) The Corporation agrees the Resident may occupy the Residential Living Unit described in the Residency Agreement, subject to the conditions of the Residency Agreement.
- (b) Upon termination of the Residency Agreement by either party, or upon the death of the Resident, after a new Residency Agreement has been executed by another party for the last Residential Living Unit to have been occupied by the Resident, and all fees due have been paid in full, the Resident or Resident's estate will be entitled to a refund of the Residency Fee, as described in the selected Residency Agreement.

The amount of the refund shall be based upon the length of time that has elapsed from the date the Residency Agreement was signed to the effective date of termination. During the life of the Resident at the Community, the refund shall not be assigned to another party without an amendment to the Residency Agreement executed by the Resident and the Corporation.

- (c) If the Resident, because of changes in circumstances, chooses to move into a different Residential Living Unit where a lesser Residency Fee is required, the Resident may do so but without a refund. If the Resident should choose to move into a different Residential Living Unit where a larger Residency Fee is required, the Resident will pay the difference between the Residency Fee and additional fees based on the amount the Resident paid upon admission and the current Residency Fee for the new Residential Living Unit to be occupied.
- (d) If the Resident occupies the Residential Living Unit for less than ninety (90) days and then moves into the Health Center, the Corporation will retain ten percent (10%) of the Residency Fee. The remainder of the Residency Fee will be set aside for use by the Resident for healthcare expenses.
- (e) If the Resident should move into the Health Center and vacate the Residential Living Unit, regardless of the length of residence in the Residential Living Unit, the Residency Agreement will remain in effect.
- (f) If two persons sign a Residency Agreement for the same Residential Living Unit and one of them should need to move into the Health Center on a permanent basis, the Resident remaining in the Residential Living Unit will continue to enjoy all the rights, privileges, and obligations of the Residency Agreement. The prevailing cost of healthcare for the person moving into the Health Center shall be paid from that person's available assets, including assets transferred by the Resident to a revocable trust or to any trust in which the Resident is a beneficiary. The person remaining in the Residential Living Unit becomes solely entitled to any refund of the Residency Fee that may later be due under the Residency Agreement.
- (g) After the first ninety (90) days of occupancy of the Residential Living Unit, any refund due the Resident under the Residency Agreement will be made only when the last Residential Living Unit to have been occupied by the Resident is covered by a new Residency Agreement with another person or persons and all new fees have been paid in full.

#### **4. Health Insurance**

- (a) The Resident will maintain eligible Medicare Coverage and one supplemental insurance policy or equivalent insurance coverage, which adequately covers hospital, medical and skilled nursing deductibles and copayments required of the primary insurance plan.

- (b) If the Resident has chosen to participate in a managed care insurance program as an alternative to Medicare Part A, Medicare Part B, or other healthcare programs, and supplemental insurance coverage, when healthcare services are provided at the Community, the following restrictions apply:
- (i) If the Corporation is an approved participating provider with the Resident's managed care program, the Corporation agrees to be reimbursed at the rate negotiated with the Resident's managed care program.
  - (ii) If the Corporation is not an approved participating provider with the Resident's managed care program and the Resident chooses to receive healthcare services at a managed care participating provider, then the Resident agrees that the Resident must relocate for as long as necessary for those services to be provided, and be responsible for all costs. In addition, while receiving healthcare services at the managed care participating provider, the Resident agrees that unless this Agreement is terminated, the Resident will continue to pay all fees for the Resident's living accommodation at the Community, unless the Resident's living accommodation has been surrendered to the Community.
  - (iii) If the Corporation is not a participating provider in the Resident's managed care program and a negotiated rate is not agreed upon by the Corporation, and the Resident would still like to receive healthcare services at the Community, then the Resident will be responsible for the full amount of applicable fees and any charges not paid by the Resident's insurance carrier.
- (c) Both the primary and supplemental health insurance policies must recognize the Corporation as a healthcare provider; or the Resident will assume the financial responsibility for services provided that otherwise would not be covered.
- (d) The Resident will be responsible for ensuring that the health insurance coverage does not lapse and, upon request, will provide the Corporation with evidence of such coverage. Should the health insurance coverage lapse, the Corporation may require the Resident to reapply for suitable coverage.
- (e) If the Resident is unable to obtain adequate new coverage, the Corporation will bill the Resident for any costs related to medical or other healthcare services that would have otherwise been covered by the health insurance coverage policy.
- (f) The Corporation reserves the right and sole discretion to eliminate and/or change its participation in all insurance plans.

## **5. Health Needs**

- (a) The Resident will provide the Community with appropriate medical records thirty (30) days prior to occupancy and will, within sixty (60) days after taking occupancy, have a medical examination by a private physician or the Community's Medical Director. In matters of health, the Community's Medical Director will recommend to the administrative staff continued occupancy of a suitable Residential Living Unit. The administrative staff

would make a final decision on occupancy of said Residential Living Unit after consultation with the Resident, the Resident's physician, and/or the Resident's Power-of-Authority/Resident Representative.

- (b) When the Resident's health condition changes, an assessment team is assigned to evaluate the Resident utilizing the Corporation's Level of Living Guidelines, a copy of which is provided to all residents. A formal appeal process is available to the Resident if the assessment team recommends changes to the Resident's living accommodations and/or level of living status with which the Resident disagrees.
- (c) If at any time the Medical Director, in consultation with the administrative staff, determines the Resident is no longer able to function in a Residential Living Unit or needs care beyond the scope of the Corporation, the Resident will abide by that decision.
- (d) If the Resident becomes unable to care for their business and financial affairs, the Corporation reserves the right, because of its financial and moral involvement, to institute action for the determination of the Resident's competence and, if necessary, facilitate the appointment of a guardian to fulfill the terms of the Residency Agreement; unless such needed arrangements have already been made.
- (e) If the Resident should need Adult Care Services or Nursing Services, such services will be made available by the Corporation at rates current at such time as said services are needed and according to available space.

## **6. Other Considerations**

- (a) The Resident is given, as an Addendum to the Residency Agreement, a current copy of the Resident Handbook. These documents will change from time to time but the Resident Handbooks are the procedural documents for those occupying Residential Living Units at the Community.
- (b) The Resident may not transfer or voluntarily reduce substantially their assets, as related on their application for occupancy of a Residential Living Unit at United Church Homes and Services, without notification to the Corporation. The Resident shall be required at specific times to present the Corporation with an updated confidential financial statement.
- (c) Should the Resident become financially unable to pay the Monthly Support Service Fee, the per diem Health Center Fee, or any other fees charged by the Center, the administrative staff of the Corporation will assist the Resident in applying for funds needed to meet the charges for care.

The Resident shall apply for any and all federal, state, and local grants and benefits for which the Resident may be entitled or eligible, and to apply any and all such grants and benefits toward the cost of the Resident's care at the Center. The Resident's failure to do so will result in termination of the Residency Agreement by the Corporation and release of its obligations hereunder.

## Section IV: Services

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### **Diverse and Complete Community**

**Abernethy Laurels** is a continuing care retirement community providing support services and structural features to help persons live as independently as possible for as long as possible. The campus is designed to have three major areas with a specific lifestyle in mind. The Village, Pavilion, and Health Center cover a wide spectrum of living arrangements to accommodate a diversity of lifestyles on a single campus. Abernethy Laurels also operates an onsite Home Care Agency, Laurels At Home. The goal of this Community is to provide a holistic environment.

### **The Village**

The Residential Living Units in the Village consist of apartments, villas and cottages. Independence and a self-sufficient lifestyle are what the Corporation strives to promote in all areas of residential living. Transportation, meals, laundry service, housekeeping, and salon services are among the support services available on an as-needed, fee-for-service basis so that this type of lifestyle may be enjoyed for as long as possible. The standard services of lawn care, the Residential Living Unit's exterior maintenance, and appliance maintenance help to free the Resident to enjoy a more meaningful use of their time and efforts.

#### 1. One-Bedroom Apartment

A residence approximately 875 square feet in size with a living/dining area, one large bedroom, a kitchen equipped with standard appliances, a full bath, and porch or balcony.

#### 2. Two-Bedroom Apartment

A residence approximately 1,150 square feet in size with a living/dining area, one large bedroom and one smaller bedroom, a kitchen equipped with standard appliances, a bath and a half, and a porch or balcony. Most are equipped with a washer and dryer.

#### 3. Villa

A residence ranging from approximately 960 to 2,724 square feet in size with a living/dining area, two bedrooms, a kitchen equipped with standard appliances, a screened or glassed sunroom, a washer and dryer, storage area, and single-car carport. Most villas have two baths.

#### 4. Cottage

A freestanding residence ranging from approximately 1,340 to 2,916 square feet in size with a living room, dining area, two bedrooms, two full baths, a kitchen equipped with standard appliances, a screened or glassed porch, a washer and dryer, and storage/work room. Most cottages have two baths and an enclosed single-car garage.

## **The Pavilion**

A person wanting or needing more support services than can reasonably be provided in the Village has the option of choosing a Residential Living Unit located in the Pavilion. The objective is the promotion of a self-sufficient lifestyle. By providing meals, laundry service, housekeeping, and staff persons on a twenty-four hour basis, such a lifestyle can be made possible, enjoyable, and rewarding.

Other services such as transportation, salon services, guest meals, etc., are available on a fee-for-service basis.

### **1. Studio Room**

A private room approximately 240 square feet in size. This room comes with a private half-bath and is designed to accommodate the Resident's own personal furnishings.

### **2. Adult Care (Assisted Living)**

Staff provides assistance in routine activities of daily living such as bathing, personal hygiene, and medication administration. Staff is available on a twenty-four (24) hour per day basis.

### **3. Efficiency Apartment**

Approximately 400 square feet in size with a bedroom/living area, kitchenette, and full bath tub/shower, and private balcony or patio.

### **4. Efficiency Deluxe Apartment**

Approximately 410 square feet in size arranged to promote ample privacy and desirable furniture arrangement. The unit has a bedroom/living area, kitchenette, full bath with walk-in shower, and private balcony.

### **5. One-Bedroom Apartment**

Approximately 500 square feet in size with a living/dining area, kitchenette, and separate bedroom. There is also a full bath tub/shower, and private balcony or patio.

### **6. One-Bedroom Deluxe Apartment**

One bedroom with separate living/dining/kitchenette area approximately 805 square feet. The unit also features a walk-in closet, a full bath with walk-in shower and a half bath.

## **Other Services**

### **1. Clinic**

Clinic services are available to all residential living residents. The clinic is staffed by professional nurses. Physician services are available on a periodic basis. The clinic is used for consultation, medication administration, outpatient examinations, outpatient treatments, and prescribed therapies. The clinic conducts screenings, vaccinations, and tests for residents as needed.



## 2. Home Visits

Occasionally residents need temporary healthcare services provided in their Residential Living Unit. These visits may include routine blood pressure and/or pulse rate checks, medication administration, special medical treatments, or assistance with bathing and dressing. Each resident living in a Residential Living Unit has up to twelve nurse visits per year at no additional charge. Additional visits are available on a fee-for-service basis. These services are provided through Abernethy Laurels' Home Care Agency, Laurels At Home.

## 3. Infirmary Services

If residents have a minor illness or injury and are unable to care for themselves, infirmary services are available on a limited basis to allow for a short-term recovery period.

## **Health Center**

The objective of the Health Center is to provide quality long-term care. The types of living accommodations provided are based on the Resident's physical needs. A person may enter the Community at the Health Center level by completing all of the necessary steps for admission and paying the required fees. Residents are provided healthcare in the onsite Health Center if and when it is needed. The level of living provided by the Health Center is:

### 1. Nursing Services

Long-term nursing, memory support and short-term rehabilitative services are available on campus. The Health Center is Medicare and Medicaid certified, offering both private and companion semiprivate suites. Residents are cared for by licensed and certified nursing professionals under the supervision of a Medical Director and a licensed Nursing Home Administrator.

### 2. Other Services

Other services such as transportation, salon services, guest meals, etc., are available on a fee-for-service basis.

## **Rental Option**

The Corporation offers a rental option through which an individual may enter the community by signing a monthly rental agreement. This agreement does not require payment of an entrance fee, but does require payment of a monthly rental rate set at a higher rate than the monthly support fee paid by Residents who hold a contracted Residency Agreement with the Corporation.

The Rental Option provides the Renter with access to services and amenities also available to contracted Residents, with the exception of healthcare services. Additional amenities may be available on a fee-for-service basis for the Renter, and likewise the Renter shall be charged direct admission rates upon entrance to a higher level of living.

This Rental Option is available only in a limited number of specified Residential Living Units. This Rental Option is not an agreement for continuing care.

## Section V: **Fees and Refund Schedules**

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The following provides the refund schedule for the 50% Refund Plan (50% Refund Residency Agreement) and the zero refund plan (Fully Declining Residency Agreement). Cancellation of the Residency Agreement within the first ninety (90) days, or a portion thereof, will be refunded at a reduced balance based on the Residency Fee paid, minus a ten percent (10%) reduction on the initial Residency Fee.

### **Residency Fee**

Payment of a Residency Fee (entrance fee) secures for a Resident the right to maintain occupancy of a selected Residential Living Unit and utilize the services and amenities available at the community for as long as the Resident is able to comply with the terms of the Residency Agreement. Prior to occupancy the Resident will sign a Residential Living Residency Agreement and pay the remainder of the Residency Fee.

### **Monthly Service Fee**

Payment of a Monthly Service Fee provides a Resident certain monthly services as provided in the disclosure statement and Residential Living Unit Residency Agreement(s). All other services are provided on an additional fee-for-service basis.

### **50% Refund Residency Agreement (Plan A)**

Beyond the first ninety (90) days – total fee less 1.21% per month for each month of occupancy through month thirty-six (36). After the thirty-sixth (36<sup>th</sup>) month of occupancy, the refund will remain at the fifty percent (50%) level. During the life of the Resident at the Community, the refund shall not be assigned to another party without an amendment to the Residency Agreement executed by the Resident and the Corporation.

### **Fully Declining Residency Agreement (Plan B)**

Beyond the first ninety (90) days – total fees less 2.73% per month for each month of occupancy through month thirty-six (36). After the thirty-sixth (36<sup>th</sup>) month of occupancy, the balance will decline to zero. During the life of the Resident at the Community, the refund shall not be assigned to another party without an amendment to the Residency Agreement executed by the Resident and the Corporation.

The following outlines the fee structure for **Abernethy Laurels** for the last five years, including incremental average increases from the previous year. All fees for each year became effective on October 1. There is a Residency Fee for Residential Living Units ranging from \$28,000 to \$373,667.

### Daily Rate (Health Center)

	18/19	Average Increase	17/18	Average Increase	16/17	Average Increase	15/16	Average Increase	14/15	Average Increase
<b>Suite (Private)</b>										
Nursing	287	8	279	8	271	9	262	9	253	10
Memory Support	295	9	286	8	278	9	269	9	260	10
Short Term Rehabilitation	361	11	350	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Companion Suite (Semiprivate)</b>										
Nursing	259	8	251	7	244	8	236	8	228	9
Memory Support	N/A	N/A	N/A	N/A	253	9	244	8	236	10

*(Fees are subject to change with an advance notice.)*

### Monthly Support Service Fee (Residential Living)

	18/19	Average Increase	17/18	Average Increase	16/17	Average Increase	15/16	Average Increase	14/15	Average Increase
<b>Residential Living Unit</b>										
One-Bedroom	1459	49	1410	48	1362	40	1322	45	1277	284
Two-Bedroom	2145	69	2076	67	2009	59	1950	66	1884	439
Villa	1574	53	1521	51	1470	43	1427	48	1379	415
Cottage	2260	73	2187	70	2117	62	2055	69	1986	470
	1683	57	1626	47	1579	46	1533	52	1481	445
	2369	77	2292	66	2226	65	2161	73	2088	527
	1834	62	1772	52	1720	50	1670	56	1614	485
	2520	82	2438	71	2367	69	2298	77	2221	540

*(Fees are subject to change with an advance notice.)*

## The Pavilion at Abernethy Laurels

Daily Rate		18/19	Average Increase	17/18	Average Increase	16/17	Average Increase	15/16	Average Increase	14/15	Average Increase
<b>Residential Living Units</b>											
Assisted Living Room		174	5	169	5	164	6	158	5	153	6
Assisted Living – Studio A		175	6	169	5	164	6	158	5	143	6
Assisted Living – Studio A	<input checked="" type="checkbox"/>	167	6	161	5	156	5	151	5	146	6
Assisted Living – Studio B		185	6	179	5	174	5	169	6	163	6
Assisted Living – Studio B	<input checked="" type="checkbox"/>	180	6	174	5	169	5	164	6	158	6

(Fees are subject to change with an advance notice.)

Indicates Existence of Residency Agreement

Monthly Support Service Fee Rate		18/19	Average Increase	17/18	Average Increase	16/17	Average Increase	15/16	Average Increase	14/15	Average Increase
<b>Residential Living Units</b>											
Efficiency Apartment	one person	2919	99	2820	82	2738	80	2658	90	2568	99
	two people	4028	131	3897	113	3784	110	3674	124	3350	99
Efficiency Deluxe Apartment	one person	3193	108	3085	90	2995	87	2908	98	2810	108
	two people	4302	140	4162	121	4041	117	3924	132	3792	108
One Bedroom Apartment	one person	3708	125	3583	104	3479	101	3378	114	3264	126
	two people	4817	157	4660	135	4525	131	4394	148	4246	126
One Bedroom Deluxe Apartment	one person	3881	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	two people	4990	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(Fees are subject to change with an advance notice.)

## Residency Agreement Rate

	Plan A	Plan B
Villa	118,209 – 298,109	84,435 – 212,935
Cottage	226,418 – 373,667	161,727 – 266,905
Pavilion Efficiency Apartment	39,200	28,000
Pavilion One Bedroom Apartment	56,276	40,197

There is a fee schedule published annually to cover such items as transportation, meals, housekeeping, etc. This list is available upon request and strives to provide services for residential living persons as they are needed and at a reasonable cost. (See Exhibit 1)

**Section VI:**  
**Financial Information and Five-Year Projection Statement**

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**Historical and Forecasted Financial Statements**

Year Ending September 30, 2019 (Forecast)

Year Ending September 30, 2020 (Forecast)

Year Ending September 30, 2021 (Forecast)

Year Ending September 30, 2022 (Forecast)

Year Ending September 30, 2023 (Forecast)

UNITED CHURCH HOMES AND SERVICES

COMPILED FORECAST

FOR THE YEARS ENDING  
SEPTEMBER 30, 2019 THROUGH 2023



**UNITED CHURCH HOMES AND SERVICES**  
**Compiled Forecast**  
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Bernard Robinson & Company, L.L.P.

To the Board of Directors  
United Church Homes and Services  
Newton, North Carolina

Management is responsible for the accompanying forecast of United Church Homes and Services (the "Organization"), which comprises the accompanying forecasted balance sheets as of September 30, 2019, 2020, 2021, 2022, and 2023 and the forecasted statements of operations and changes in net assets, and cash flows for the years then ending, including the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this forecast.

There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying supplementary information listed in table of contents is presented for purposes of additional analysis and is not a required part of the forecast. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not examined or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
February 19, 2019



**UNITED CHURCH HOMES AND SERVICES**  
**Forecasted Balance Sheets**  
**September 30, 2019 through 2023**

(In Thousands of Dollars)

	2019	2020	2021	2022	2023
<b>Assets</b>					
Current Assets:					
Cash and cash equivalents	\$ 4,016	\$ 4,016	\$ 4,016	\$ 4,016	\$ 4,016
Accounts receivable, net	1,946	1,946	1,946	1,946	1,946
Due from affiliates	533	533	533	533	533
Other receivables and current assets	792	792	792	792	792
Total current assets	<u>7,287</u>	<u>7,287</u>	<u>7,287</u>	<u>7,287</u>	<u>7,287</u>
Assets limited as to use:					
Operating reserves	14,482	14,915	15,274	15,792	16,382
Patient funds	61	61	61	61	61
Investments	444	444	444	444	444
Assets held by trustees and board designated	49,487	52,932	56,701	60,577	64,667
Total assets limited as to use	<u>64,474</u>	<u>68,352</u>	<u>72,480</u>	<u>76,874</u>	<u>81,554</u>
Property and equipment, net	<u>70,655</u>	<u>67,286</u>	<u>64,037</u>	<u>60,902</u>	<u>57,820</u>
Total assets	<u>\$ 142,416</u>	<u>\$ 142,925</u>	<u>\$ 143,804</u>	<u>\$ 145,063</u>	<u>\$ 146,661</u>
<b>Liabilities and Net Assets</b>					
Current Liabilities:					
Current portion of long-term debt	\$ 1,325	\$ 1,585	\$ 1,465	\$ 1,695	\$ 1,755
Accounts payable and accrued expenses	4,547	4,547	4,547	4,547	4,547
Advance deposits, resident escrows and refund payables	1,042	1,042	1,042	1,042	1,042
Due to affiliates	1,839	2,526	4,024	5,220	6,971
Total current liabilities	<u>8,753</u>	<u>9,700</u>	<u>11,078</u>	<u>12,504</u>	<u>14,315</u>
Long-Term Liabilities:					
Long-term debt, less current portion	73,043	71,440	69,957	68,228	66,459
Long-term refund payable	7,728	7,283	6,811	6,381	5,892
Deferred revenue from advanced fees:					
Non-refundable contracts	14,665	15,736	16,595	17,617	18,602
Refundable contracts	5,703	5,260	4,976	4,706	4,388
Total long-term liabilities	<u>101,139</u>	<u>99,719</u>	<u>98,339</u>	<u>96,932</u>	<u>95,341</u>
Total liabilities	<u>109,892</u>	<u>109,419</u>	<u>109,417</u>	<u>109,436</u>	<u>109,656</u>
Net Assets:					
Without donor restrictions	<u>32,524</u>	<u>33,506</u>	<u>34,387</u>	<u>35,627</u>	<u>37,005</u>
Total net assets	<u>32,524</u>	<u>33,506</u>	<u>34,387</u>	<u>35,627</u>	<u>37,005</u>
Total liabilities and net assets	<u>\$ 142,416</u>	<u>\$ 142,925</u>	<u>\$ 143,804</u>	<u>\$ 145,063</u>	<u>\$ 146,661</u>

*See Accountant's Compilation Report and Summary of Significant Accounting Policies and Assumptions*

**UNITED CHURCH HOMES AND SERVICES**  
**Forecasted Statements of Operations and Changes in Net Assets**  
**Years Ending September 30, 2019 through 2023**

	(In Thousands of Dollars)				
	2019	2020	2021	2022	2023
Operating revenues:					
Health care	\$ 24,213	\$ 25,385	\$ 26,108	\$ 26,838	\$ 27,534
Pavilion/assisted living	1,824	1,953	2,003	2,065	2,128
Outside Services	134	84	86	89	91
Home care	2,391	2,450	2,512	2,574	2,639
Residential living service	9,209	9,642	10,033	10,494	10,828
Amortization of advance fees	3,209	3,287	3,387	3,478	3,599
Management fee income	1,769	1,769	1,769	1,769	1,769
Other operating revenue	1,089	1,127	1,166	1,207	1,249
Total operating revenues	<u>43,838</u>	<u>45,697</u>	<u>47,064</u>	<u>48,514</u>	<u>49,837</u>
Operating expenses:					
Health services:					
Health care	11,222	11,558	11,905	12,262	12,630
Medical records	112	116	119	123	126
Personnel and employee benefits	7,141	7,355	7,576	7,803	8,037
Laundry	244	252	259	267	275
Social services	211	217	224	230	237
Activities	271	279	287	296	305
Spiritual life	121	125	129	133	137
Housekeeping	894	921	948	977	1,006
Plant maintenance	3,218	3,275	3,334	3,394	3,456
Pavilion/assisted living	751	774	797	821	846
Outside Services	61	62	64	66	68
Independent living	316	326	336	346	356
Home care	1,985	2,044	2,106	2,169	2,234
Clinic	80	82	84	87	90
Resident services	164	169	174	179	185
Transportation	114	117	121	125	128
Dietary	3,711	3,822	3,937	4,055	4,176
Wellness center	137	141	145	150	154
Beauty shop	58	60	62	63	65
Day care	300	309	319	328	338
General and administrative:					
Administrative	4,318	4,447	4,581	4,718	4,860
Marketing	802	826	851	876	903
Staff development	118	122	126	129	133
Depreciation/amortization	5,118	4,964	5,078	5,113	5,161
Real estate taxes	11	11	11	11	11
Interest expense	3,040	3,387	3,340	3,294	3,242
Insurance	601	619	638	657	677
Bad debts	564	484	434	384	384
Other operating expenses	298	311	319	329	341
Total operating expenses	<u>45,981</u>	<u>47,175</u>	<u>48,304</u>	<u>49,385</u>	<u>50,561</u>
Operating loss	<u>(2,143)</u>	<u>(1,478)</u>	<u>(1,240)</u>	<u>(871)</u>	<u>(724)</u>
Nonoperating income (loss):					
Contribution income	1,750	455	125	125	125
Other nonoperating expense	(247)	(255)	(264)	(274)	(283)
Investment/interest income	2,577	2,260	2,260	2,260	2,260
Net nonoperating income	<u>4,080</u>	<u>2,460</u>	<u>2,121</u>	<u>2,111</u>	<u>2,102</u>
Changes in net assets	1,937	982	881	1,240	1,378
Net assets, beginning	<u>30,587</u>	<u>32,524</u>	<u>33,506</u>	<u>34,387</u>	<u>35,627</u>
Net assets, ending	<u>\$ 32,524</u>	<u>\$ 33,506</u>	<u>\$ 34,387</u>	<u>\$ 35,627</u>	<u>\$ 37,005</u>

*See Accountant's Compilation Report and Summary of Significant Accounting Policies and Assumptions*

**UNITED CHURCH HOMES AND SERVICES**  
**Forecasted Statements of Cash Flows**  
**Years Ending September 30, 2019 through 2023**

	(In Thousands of Dollars)				
	2019	2020	2021	2022	2023
Cash flows from operating activities:					
Changes in net assets	\$ 1,937	\$ 982	\$ 881	\$ 1,240	\$ 1,378
Adjustments to reconcile changes in net assets to net cash provided by operating activities:					
Net unrealized gain on investments	(2,577)	(2,260)	(2,260)	(2,260)	(2,260)
Depreciation/amortization	5,005	4,851	4,981	5,001	5,068
Amortization of advance fees	(3,209)	(3,287)	(3,387)	(3,478)	(3,599)
Advance fees received - nonrefundable	4,456	4,328	4,370	4,632	4,669
Advance fees received - refundable	771	616	544	519	471
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable, net	648	-	-	-	-
Increase (decrease) in:					
Accounts payable and accrued expenses	(884)	-	-	-	-
Advance deposits, resident escrows and refund payables	(517)	-	-	-	-
Net cash provided by operating activities	<u>5,630</u>	<u>5,230</u>	<u>5,129</u>	<u>5,654</u>	<u>5,727</u>
Cash flows from investing activities:					
Net change in assets limited as to use	7,716	(1,618)	(1,868)	(2,134)	(2,420)
Repayments from related parties, net	43	687	1,498	1,196	1,751
Purchases of property and equipment	(10,576)	(1,500)	(1,750)	(1,900)	(2,000)
Net cash used in investing activities	<u>(2,817)</u>	<u>(2,431)</u>	<u>(2,120)</u>	<u>(2,838)</u>	<u>(2,669)</u>
Cash flows used in financing activities:					
Refunds of advance fees	(1,483)	(1,474)	(1,424)	(1,351)	(1,363)
Principal payments of long-term debt	(1,330)	(1,325)	(1,585)	(1,465)	(1,695)
Net cash provided by (used in) financing activities	<u>(2,813)</u>	<u>(2,799)</u>	<u>(3,009)</u>	<u>(2,816)</u>	<u>(3,058)</u>
Net increase in cash and cash equivalents	-	-	-	-	-
Cash and cash equivalents, beginning	<u>4,016</u>	<u>4,016</u>	<u>4,016</u>	<u>4,016</u>	<u>4,016</u>
Cash and cash equivalents, ending	<u>\$ 4,016</u>	<u>\$ 4,016</u>	<u>\$ 4,016</u>	<u>\$ 4,016</u>	<u>\$ 4,016</u>

*See Accountant's Compilation Report and Summary of Significant Accounting Policies and Assumptions*

**UNITED CHURCH HOMES AND SERVICES**  
**Summary of Significant Accounting Policies and Assumptions**

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NOTE 1 - BASIS OF PRESENTATION

This financial forecast presents, to the best of management's knowledge and belief, United Church Homes and Services' (the "Organization") expected balance sheets, statements of operations and changes in net assets, and cash flows for the forecast period. Accordingly, the forecast reflects its judgment of the expected conditions and its expected course of action as of the date of this forecast. The financial forecast is based on management's assumptions concerning future events and circumstances. The assumptions disclosed herein are those which management believes are significant to the forecast or are key factors upon which the financial results of the Organization depend. Even if the hypothetical assumptions below occur within the forecast period, the Organization recognizes that there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

The financial statements included in the forecast have been prepared in accordance with the principles contained in the *Audit and Accounting Guide, Health Care Organizations*, published by the American Institute of Certified Public Accountants. Significant accounting policies are described in the appropriate assumptions and notes to the forecasted financial statements. The assumptions described are not all-inclusive.

NOTE 2 - BACKGROUND OF THE ORGANIZATION

United Church Homes and Services ("UCHS") is a not-for-profit organization that owns and operates continuing care retirement communities in Newton (Abernethy Laurels) and Thomasville (Piedmont Crossing) consisting of residential living units, assisted living units and nursing facilities providing adult care and intermediate and skilled nursing care. UCHS's corporate office is located in Newton, North Carolina.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Organization excludes from cash and cash equivalents assets limited as to use.

**Assets Limited As To Use**

Assets limited as to use primarily include the operating reserves required by State statute, and assets held by trustees under indenture agreements and designated assets set aside by the Board of Directors for future capital improvements, to the extent funds are available, over which the Board retains control and may, at its discretion, subsequently use for other purposes. Amounts required to meet current liabilities of the Organization have been classified as current assets in the balance sheets.

**UNITED CHURCH HOMES AND SERVICES**  
**Summary of Significant Accounting Policies and Assumptions**

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NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

**Assets Limited As To Use (Continued)**

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in nonoperating income. Donated investments are stated at fair value at the date of the gift. Investment expenses and fees are netted with net realized gains on investments.

**Operating Reserves**

In accordance with the requirements of North Carolina General Statute 58, Article 64-33, management computes an annual operating reserve for its continuing care retirement communities licensed in North Carolina. The operating reserve must be an amount at least equal to 25% or 50% of operating expenses (net of depreciation and amortization) plus principal (net of debt service reserve funds) for the forecasted years ending for those facilities depending on occupancy levels of each facility. Operating reserve for the years ending September 30, 2019, 2020, 2021, 2022, and 2023 respectively, for the Abernethy Laurels Facility is as follows: \$10,327; \$10,596; \$10,875; \$11,270 and \$11,700; and Piedmont Crossing Facility is as follows: \$4,155; \$4,319; \$4,399; \$4,522 and \$4,682, respectively.

**Accounts Receivable**

The Organization records accounts receivable at the total unpaid balance less an allowance for doubtful accounts. The Organization determines past-due status based on the billing dates and does not charge interest on overdue accounts. The Organization writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to bad debt expense.

**Property and Equipment**

Property and equipment are recorded at cost, net of accumulated depreciation. Donated property and equipment are recorded at their estimated fair value on the date of receipt. Interest costs incurred on borrowed funds during the period of construction are capitalized as a component of the cost of acquiring those assets.

Depreciation is computed using the straight-line method based on the following estimated useful lives:

	<u>Years</u>
Land improvements	10 - 20
Buildings and improvements	30 - 40
Furniture, fixtures and equipment	5 - 15
Vehicles	5

**UNITED CHURCH HOMES AND SERVICES**  
**Summary of Significant Accounting Policies and Assumptions**

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NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

**Property and Equipment (Continued)**

The Organization periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. For assets to be held and used, impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. For assets to be disposed of, impairment is determined to exist if the estimated net realizable value is less than the carrying amount.

The Organization reports contributions of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted net assets. Absent explicit donor stipulations about how long these assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**Deferred Costs**

Deferred financing costs relating to the permanent financing of the facilities have been deferred and are being amortized over the life of the bonds.

**Resident Escrows**

If a resident should move into the health care unit and vacate the residential living unit, the amount of any refund to which the resident would be entitled is set aside and held by UCHS for use by the resident to pay for necessary health care expenses. Once a permanent move is made and the residential living unit is available for remarketing, the resident may draw against the remaining residency refund to pay health care costs. A resident who does not live in a residential living unit for a period of 180 days or more shall be deemed to have made a permanent move.

A resident drawing from the residency refund to pay for health care costs shall, in agreement with the Center Executive, determine the withdrawal amount. This amount shall not exceed \$1,500 per month.

In case of financial hardship, withdrawal of more than \$1,500 per month may be requested by the resident. The resident must submit financial information sufficient to prove financial need. Such withdrawals will be allowed upon approval by the senior management of UCHS.

**Advance Deposits**

The Organization may collect up to 10% of the advance fees described below as a deposit on unoccupied units. Once the unit becomes occupied, these fees are transferred to deferred revenue.

**UNITED CHURCH HOMES AND SERVICES**  
**Summary of Significant Accounting Policies and Assumptions**

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NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

**Deferred Revenue from Advance Fees**

Deferred revenue from advance fees represents payments made by a resident in exchange for the use and privileges of the community for life or until termination of the residency agreement. Contracts currently offered to UCHS residents are a fully declining contract or a 50% refundable contract.

The nonrefundable portion of these fees is amortized into income on a straight-line basis over the estimated remaining life, actuarially adjusted annually, of each resident.

Refunds are made to residents upon re-occupancy of the unit unless the resident has chosen to transfer their remaining balance into escrow as described above. Any unrecognized deferred revenue, less any related refund, at the date of termination of the contract is recorded as income in the period the termination of the contract occurs.

**Obligation to Provide Future Services**

The Organization annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income.

**Classification of Net Assets**

The following classification of net assets is presented in the accompanying forecasted financial statements:

Net assets without donor restrictions: All revenue not restricted by donors, unrestricted contributions designated by the board and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net assets with donor restrictions: All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in donor restricted net assets. The investment income arising from endowment funds, if any, are accounted for in accordance with donor stipulations. 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.

**Changes in Net Assets without Donor Restrictions**

The forecasted statements of operations and changes in net assets reflect operating income and losses. Changes in net assets without donor restrictions that are excluded from operating income or loss, consistent with industry practice, include realized gains and losses on investments, changes in unrealized gains and losses on investments, investment income, income from estates, wills, trusts and bequests, and contributions.

**UNITED CHURCH HOMES AND SERVICES**  
**Summary of Significant Accounting Policies and Assumptions**

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NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

**Income Tax Status**

The Organization is a not-for-profit organization exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3).

It is the Organization's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a more-likely-than-not threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the forecasted financial statements. No material uncertain tax positions are expected during the forecast period. Any changes in the amount of a tax position will be recognized in the period the change occurs.

**Resident Services**

Two major types of revenue are recognized in resident services as follows:

*Residential/assisted living revenue:* Residents that reside in residential living units are subject to a continuing monthly support service fee, which varies based on each resident's contract. The monthly fee can be adjusted from time to time by the Organization according to changes in costs.

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

**Benevolent Assistance**

The Organization has a policy of providing benevolent assistance to qualified residents who are unable to pay. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis. The normal charges for services are included in revenue and paid through a transfer of assets from the Benevolent Trust Fund.

NOTE 4 - CURRENT ASSETS AND CURRENT LIABILITIES

Balances in other receivables and current assets, and accounts payables and accrued expenses, on the forecasted balance sheets, are based on balances at September 30, 2018, adjusted for increases in revenue and expenses.



**UNITED CHURCH HOMES AND SERVICES**  
**Summary of Significant Accounting Policies and Assumptions**

NOTE 5 - LONG-TERM DEBT

For purposes of this financial forecast, it has been assumed that the historical carrying value of long-term debt equals the fair value of such debt.

Long-term debt consists of the following (in thousands):

	2019	2020	2021	2022	2023
North Carolina Medical Care Commission:					
Retirement Facilities First Mortgage Revenue Refunding Bonds (United Church Retirement Homes and Services) Series 2015A:					
Serial bonds due 2018 - 2020, yielding 2.5% to 3.0%	\$ 300	\$ -	\$ -	\$ -	\$ -
Term bonds due 2025, yielding 4.0%	1,500	1,500	1,200	900	600
Term bonds due 2030, yielding 4.5%	2,075	2,075	2,075	2,075	2,075
Term bonds due 2037, yielding 4.85% to 5.0%	17,955	17,955	17,955	17,955	17,955
SunTrust Bank:					
Non-Bank Qualified Loans, Series 2015B:					
Due 2018 - 2021, yielding 2.6%	1,590	565	-	-	-
Series 2017A:					
Due 2023-2047, yielding 3.25%	10,820	10,820	10,820	10,820	10,820
People's Bank					
Non-Bank Qualified Loans, Series 2017B:					
Due 2023-2047, yielding 3.25%	9,835	9,835	9,835	9,835	9,660
North Carolina Medical Care Commission:					
Retirement Facilities First Mortgage Revenue Refunding Bonds (United Church Retirement Homes and Services) Series 2017C:					
Serial bonds due 2021-2024, yielding 3.15-3.5%	4,385	4,385	3,665	2,500	1,280
Term bonds due 2041, yielding 4.24%	10,250	10,250	10,250	10,250	10,250
Term bonds due 2046, yielding 4.29%	15,650	15,650	15,650	15,650	15,650
	<u>74,360</u>	<u>73,035</u>	<u>71,450</u>	<u>69,985</u>	<u>68,290</u>
Less bond premium, net	1,557	1,444	1,332	1,219	1,126
Less deferred financing costs, net	<u>(1,549)</u>	<u>(1,454)</u>	<u>(1,360)</u>	<u>(1,281)</u>	<u>(1,202)</u>
	<u>\$ 74,368</u>	<u>\$ 73,025</u>	<u>\$ 71,422</u>	<u>\$ 69,923</u>	<u>\$ 68,214</u>

*See Accountant's Compilation Report*

**UNITED CHURCH HOMES AND SERVICES**  
**Summary of Significant Accounting Policies and Assumptions**

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NOTE 6 - REVENUE AND EXPENSES

**Other Revenue**

Residents' entry fees are amortized into revenue based on the actuarially determined remaining life expectancy of the resident, which is estimated to be 10 years.

Other revenue sources are projected to remain consistent.

**Revenue From Service Fees**

Forecasted revenue from service fees on existing facilities are based on the following schedule of estimated fees and occupancy. Monthly service fees for residents and ancillary revenues are assumed to increase approximately 3% annually. Medicare, Medicaid and hospice rates are assumed to increase approximately 1.5% annually through 2021 and 1% annually for 2022 and 2023. Home care revenues are assumed to increase approximately 2.5% annually.

	<u>Abernethy Laurels</u>	<u>Piedmont Crossing</u>
Villages:		
Villa	\$1,459 - \$1,683	\$ 1,641
Cottage	\$ 1,834	\$ 1,777
Second person fee	\$ 686	\$ 641
Studio:		
Single unit-private room	\$5,323-\$5,627	\$ -
Efficiency:		
Single unit	\$ 2,919	\$ -
Deluxe	\$ 3,193	\$ -
Apartments/Mall:		
One bedroom	\$3,708 - \$3,881	\$ 2,837
Two bedrooms	\$ -	\$ 3,213
Studio deluxe	\$ -	\$ 2,356
Second person fee	\$ 1,109	\$ 857
Apartments/Courts:		
One bedroom	\$ -	\$1,526 - \$2,118
Two bedrooms	\$ -	\$1,626 - \$2,281
Rental	\$ -	\$2,289 - \$3,422
Second person fee	\$ -	\$641 - 844
Nursing beds (daily rates)	\$259 - \$361	\$251 - \$361
Assisted Living (daily rates):		
Private room	\$ 174	\$ 186
Semi-private room	\$ -	\$ 139
Assisted Living & Residential Living Occupancy	81.82%	96.72%

**UNITED CHURCH HOMES AND SERVICES**  
**Summary of Significant Accounting Policies and Assumptions**

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NOTE 6 - REVENUE AND EXPENSES (Continued)

**Expenses**

Operating expenses are expected to increase approximately 3% annually. There are anticipated increases in expenses related to the Abernethy building project (Phase II), which began in November 2017 and will be completed in 2019. Those include utility, insurance, depreciation, amortization, and interest.

The provision for depreciation is based on the current depreciation schedule and projected property and equipment additions.

**UNITED CHURCH HOMES AND SERVICES**  
**Forecasted Balance Sheets - Abernethy Laurels**  
**September 30, 2019 through 2023**

(In Thousands of Dollars)

	2019	2020	2021	2022	2023
<b><u>Assets</u></b>					
Current Assets:					
Cash and cash equivalents	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2
Accounts receivable, net	1,486	1,486	1,486	1,486	1,486
Due from affiliates	17,637	17,768	17,718	18,121	18,413
Other receivables and current assets	282	282	282	282	282
Total current assets	<u>19,407</u>	<u>19,538</u>	<u>19,488</u>	<u>19,891</u>	<u>20,183</u>
Assets limited as to use:					
Operating reserves	-	-	-	-	-
Patient funds	50	50	50	50	50
Investments	-	-	-	-	-
Assets held by trustees and board designated	<u>2,788</u>	<u>2,787</u>	<u>2,784</u>	<u>2,779</u>	<u>2,773</u>
Total assets limited as to use	<u>2,838</u>	<u>2,837</u>	<u>2,834</u>	<u>2,829</u>	<u>2,823</u>
Property and equipment, net	<u>57,054</u>	<u>54,644</u>	<u>52,303</u>	<u>49,989</u>	<u>47,640</u>
Total assets	<u>\$ 79,299</u>	<u>\$ 77,019</u>	<u>\$ 74,625</u>	<u>\$ 72,709</u>	<u>\$ 70,646</u>
<b><u>Liabilities and Net Assets</u></b>					
Current Liabilities:					
Current portion of long-term debt	\$ 204	\$ 204	\$ 204	\$ 379	\$ 379
Accounts payable and accrued expenses	2,201	2,201	2,201	2,201	2,201
Advance deposits, resident escrows and refund payables	612	612	612	612	612
Due to affiliates	-	-	-	-	-
Total current liabilities	<u>3,017</u>	<u>3,017</u>	<u>3,017</u>	<u>3,192</u>	<u>3,192</u>
Long-Term Liabilities:					
Long-term debt, less current portion	61,261	61,052	60,844	60,459	60,076
Long-term refund payable	4,673	4,471	4,284	4,128	3,928
Deferred revenue from advanced fees:					
Non-refundable contracts	7,045	7,562	7,835	8,211	8,600
Refundable contracts	<u>2,739</u>	<u>2,388</u>	<u>2,210</u>	<u>2,053</u>	<u>1,887</u>
Total liabilities	<u>78,735</u>	<u>78,490</u>	<u>78,190</u>	<u>78,043</u>	<u>77,683</u>
Net Assets:					
Without donor restrictions	<u>564</u>	<u>(1,470)</u>	<u>(3,566)</u>	<u>(5,335)</u>	<u>(7,037)</u>
Total net assets	<u>564</u>	<u>(1,470)</u>	<u>(3,566)</u>	<u>(5,335)</u>	<u>(7,037)</u>
Total liabilities and net assets	<u>\$ 79,299</u>	<u>\$ 77,020</u>	<u>\$ 74,624</u>	<u>\$ 72,708</u>	<u>\$ 70,646</u>

**UNITED CHURCH HOMES AND SERVICES**  
**Forecasted Balance Sheets - Piedmont Crossing**  
**September 30, 2019 through 2023**

(In Thousands of Dollars)

	2019	2020	2021	2022	2023
<b><u>Assets</u></b>					
Current Assets:					
Cash and cash equivalents	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2
Accounts receivable, net	460	460	460	460	460
Due from affiliates	-	-	-	-	-
Other receivables and current assets	137	137	137	137	137
Total current assets	<u>599</u>	<u>599</u>	<u>599</u>	<u>599</u>	<u>599</u>
Assets limited as to use:					
Operating reserves	-	-	-	-	-
Patient funds	11	11	11	11	11
Investments	-	-	-	-	-
Assets held by trustees and board designated	1,506	1,506	1,506	1,506	1,506
Total assets limited as to use	<u>1,517</u>	<u>1,517</u>	<u>1,517</u>	<u>1,517</u>	<u>1,517</u>
Property and equipment, net	<u>11,355</u>	<u>10,626</u>	<u>9,932</u>	<u>9,296</u>	<u>8,687</u>
Total assets	<u>\$ 13,471</u>	<u>\$ 12,742</u>	<u>\$ 12,048</u>	<u>\$ 11,412</u>	<u>\$ 10,803</u>
<b><u>Liabilities and Net Assets</u></b>					
Current Liabilities:					
Current portion of long-term debt	\$ 1,121	\$ 1,381	\$ 1,261	\$ 1,316	\$ 1,376
Accounts payable and accrued expenses	1,346	1,346	1,346	1,346	1,346
Advance deposits, resident escrows and refund payables	430	430	430	430	430
Due to affiliates	4,937	4,153	3,698	3,081	2,565
Total current liabilities	<u>7,834</u>	<u>7,310</u>	<u>6,735</u>	<u>6,173</u>	<u>5,717</u>
Long-Term Liabilities:					
Long-term debt, less current portion	11,782	10,388	9,113	7,769	6,383
Long-term refund payable	3,055	2,812	2,527	2,253	1,964
Deferred revenue from advanced fees:					
Non-refundable contracts	7,620	8,174	8,760	9,406	10,002
Refundable contracts	2,964	2,872	2,766	2,653	2,501
Total liabilities	<u>33,255</u>	<u>31,556</u>	<u>29,901</u>	<u>28,254</u>	<u>26,567</u>
Net Assets:					
Without donor restrictions	<u>(19,784)</u>	<u>(18,814)</u>	<u>(17,853)</u>	<u>(16,842)</u>	<u>(15,764)</u>
Total net assets	<u>(19,784)</u>	<u>(18,814)</u>	<u>(17,853)</u>	<u>(16,842)</u>	<u>(15,764)</u>
Total liabilities and net assets	<u>\$ 13,471</u>	<u>\$ 12,742</u>	<u>\$ 12,048</u>	<u>\$ 11,412</u>	<u>\$ 10,803</u>

**UNITED CHURCH HOMES AND SERVICES**  
**Forecasted Balance Sheets - Home Office**  
**September 30, 2019 through 2023**

(In Thousands of Dollars)

	2019	2020	2021	2022	2023
<b><u>Assets</u></b>					
Current Assets:					
Cash and cash equivalents	\$ 4,012	\$ 4,012	\$ 4,012	\$ 4,012	\$ 4,012
Accounts receivable, net	-	-	-	-	-
Due from affiliates	533	533	533	533	533
Other receivables and current assets	373	373	373	373	373
Total current assets	<u>4,918</u>	<u>4,918</u>	<u>4,918</u>	<u>4,918</u>	<u>4,918</u>
Assets limited as to use:					
Operating reserves	14,482	14,915	15,274	15,792	16,382
Patient funds	-	-	-	-	-
Investments	444	444	444	444	444
Assets held by trustees and board designated	45,193	48,639	52,411	56,292	60,388
Total assets limited as to use	<u>60,119</u>	<u>63,998</u>	<u>68,129</u>	<u>72,528</u>	<u>77,214</u>
Property and equipment, net	<u>2,246</u>	<u>2,016</u>	<u>1,802</u>	<u>1,617</u>	<u>1,493</u>
Total assets	<u>\$ 67,283</u>	<u>\$ 70,932</u>	<u>\$ 74,849</u>	<u>\$ 79,063</u>	<u>\$ 83,625</u>
<b><u>Liabilities and Net Assets</u></b>					
Current Liabilities:					
Current portion of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	1,000	1,000	1,000	1,000	1,000
Advance deposits, resident escrows and refund payables	-	-	-	-	-
Due to affiliates	14,539	16,142	18,043	20,259	22,819
Total current liabilities	<u>15,539</u>	<u>17,142</u>	<u>19,043</u>	<u>21,259</u>	<u>23,819</u>
Long-Term Liabilities:					
Long-term debt, less current portion	-	-	-	-	-
Long-term refund payable	-	-	-	-	-
Deferred revenue from advanced fees:					
Non-refundable contracts	-	-	-	-	-
Refundable contracts	-	-	-	-	-
Total liabilities	<u>15,539</u>	<u>17,142</u>	<u>19,043</u>	<u>21,259</u>	<u>23,819</u>
Net Assets:					
Without donor restrictions	<u>51,744</u>	<u>53,790</u>	<u>55,806</u>	<u>57,804</u>	<u>59,806</u>
Total net assets	<u>51,744</u>	<u>53,790</u>	<u>55,806</u>	<u>57,804</u>	<u>59,806</u>
Total liabilities and net assets	<u>\$ 67,283</u>	<u>\$ 70,932</u>	<u>\$ 74,849</u>	<u>\$ 79,063</u>	<u>\$ 83,625</u>

**UNITED CHURCH HOMES AND SERVICES**  
**Forecasted Statements of Operations and Changes in Net Assets - Abernethy Laurels**  
**Years Ending September 30, 2019 through 2023**

	(In Thousands of Dollars)				
	2019	2020	2021	2022	2023
Operating revenues:					
Health care	\$ 14,915	\$ 15,517	\$ 16,054	\$ 16,593	\$ 17,081
Pavilion/assisted living	1,090	1,125	1,153	1,192	1,229
Outside services	134	84	86	89	91
Home care	597	611	627	642	659
Residential living service	4,806	5,111	5,357	5,668	5,848
Amortization of advance fees	1,650	1,615	1,642	1,657	1,694
Management fee income	-	-	-	-	-
Other operating revenue	205	212	219	226	234
Total operating revenues	<u>23,397</u>	<u>24,275</u>	<u>25,138</u>	<u>26,067</u>	<u>26,836</u>
Operating expenses:					
Health care	6,727	6,928	7,136	7,350	7,571
Medical records	66	69	70	73	75
Personnel *	3,197	3,292	3,391	3,493	3,597
Laundry	152	158	162	167	172
Social services	101	104	107	110	113
Activities	176	181	186	192	198
Spiritual life	62	64	66	68	71
Housekeeping	592	610	628	647	667
Plant maintenance	1,766	1,797	1,830	1,862	1,897
Staff development	94	97	100	102	106
Pavilion/assisted living	534	550	567	584	602
Outside Services	61	62	64	66	68
Independent living	247	255	263	271	279
Home care	464	478	493	507	522
Clinic	65	67	68	71	73
Resident services	47	49	50	51	54
Transportation	86	88	92	95	97
Administrative	640	659	679	699	720
Marketing	427	440	454	467	481
Dietary	2,216	2,282	2,351	2,421	2,493
Wellness center	137	141	145	150	154
Beauty shop	-	-	-	-	-
Day care	-	-	-	-	-
Management fees	1,404	1,456	1,508	1,564	1,610
Depreciation/amortization	3,412	3,214	3,270	3,318	3,402
Real estate taxes	-	-	-	-	-
Interest expense	2,470	2,849	2,841	2,832	2,824
Insurance **	326	335	346	356	367
Bad debts	480	400	350	300	300
Other operating expenses ***	128	136	138	143	149
Total operating expenses	<u>26,077</u>	<u>26,761</u>	<u>27,355</u>	<u>27,959</u>	<u>28,662</u>
Operating loss	<u>(2,680)</u>	<u>(2,486)</u>	<u>(2,217)</u>	<u>(1,892)</u>	<u>(1,826)</u>
Nonoperating income (loss):					
Contribution income	1,750	455	125	125	125
Other nonoperating expense	(2)	(1)	(1)	(2)	(2)
Investment/interest income	-	-	-	-	-
Net nonoperating income	<u>1,748</u>	<u>454</u>	<u>124</u>	<u>123</u>	<u>123</u>
Changes in net assets	(932)	(2,032)	(2,093)	(1,769)	(1,703)
Net assets, beginning	<u>1,497</u>	<u>565</u>	<u>(1,467)</u>	<u>(3,560)</u>	<u>(5,329)</u>
Net assets, ending	<u>\$ 565</u>	<u>\$ (1,467)</u>	<u>\$ (3,560)</u>	<u>\$ (5,329)</u>	<u>\$ (7,032)</u>

\* Personnel includes cost of employee benefits including health care claims, premiums, and workers compensation insurance which is allocated from the Home Office based on the actual expenses and the number of employees.

\*\* Insurance includes cost of property and liability insurance allocated from the Home Office based on property values.

\*\*\* Other operating expenses include cost of information technology expenses allocated from the Home Office based on the number of users.

**UNITED CHURCH HOMES AND SERVICES**  
**Forecasted Statements of Operations and Changes in Net Assets - Piedmont Crossing**  
**Years Ending September 30, 2019 through 2023**

	(In Thousands of Dollars)				
	2019	2020	2021	2022	2023
Operating revenues:					
Health care	\$ 9,298	\$ 9,868	\$ 10,054	\$ 10,245	\$ 10,453
Pavilion/assisted living	734	828	850	873	899
Outside services	-	-	-	-	-
Home care	1,794	1,839	1,885	1,932	1,980
Residential living service	4,403	4,531	4,676	4,826	4,980
Amortization of advance fees	1,559	1,672	1,745	1,821	1,905
Management fee income	-	-	-	-	-
Other operating revenue	85	88	91	95	98
Total operating revenues	<u>17,873</u>	<u>18,826</u>	<u>19,301</u>	<u>19,792</u>	<u>20,315</u>
Operating expenses:					
Health care	4,495	4,630	4,769	4,912	5,059
Medical records	46	47	49	50	51
Personnel *	2,744	2,827	2,912	2,999	3,089
Laundry	92	94	97	100	103
Social services	110	113	117	120	124
Activities	95	98	101	104	107
Spiritual life	59	61	63	65	66
Housekeeping	302	311	320	330	339
Plant maintenance	1,452	1,478	1,504	1,532	1,559
Staff development	24	25	26	27	27
Pavilion/assisted living	217	224	230	237	244
Independent living	69	71	73	75	77
Outside Services	-	-	-	-	-
Home care	1,521	1,566	1,613	1,662	1,712
Clinic	15	15	16	16	17
Resident services	117	120	124	128	131
Transportation	28	29	29	30	31
Administrative	574	591	609	627	646
Marketing	375	386	397	409	422
Dietary	1,495	1,540	1,586	1,634	1,683
Wellness center	-	-	-	-	-
Beauty shop	58	60	62	63	65
Day care	-	-	-	-	-
Management fees	1,072	1,130	1,158	1,187	1,219
Depreciation/amortization	1,471	1,520	1,594	1,611	1,634
Real estate taxes	-	-	-	-	-
Interest expense	570	538	499	462	418
Insurance **	222	229	235	243	250
Bad debts	84	84	84	84	84
Other operating expenses ***	110	113	117	120	124
Total operating expenses	<u>17,417</u>	<u>17,900</u>	<u>18,384</u>	<u>18,827</u>	<u>19,281</u>
Operating income	<u>456</u>	<u>926</u>	<u>917</u>	<u>965</u>	<u>1,034</u>
Nonoperating income (loss):					
Contribution income	-	-	-	-	-
Other nonoperating expense	40	41	43	44	46
Investment/interest income	-	-	-	-	-
Net nonoperating income	<u>40</u>	<u>41</u>	<u>43</u>	<u>44</u>	<u>46</u>
Changes in net assets	496	967	960	1,009	1,080
Net assets, beginning	<u>(20,282)</u>	<u>(19,786)</u>	<u>(18,819)</u>	<u>(17,859)</u>	<u>(16,850)</u>
Net assets, ending	<u>\$ (19,786)</u>	<u>\$ (18,819)</u>	<u>\$ (17,859)</u>	<u>\$ (16,850)</u>	<u>\$ (15,770)</u>

\* Personnel includes cost of employee benefits including health care claims, premiums, and workers compensation insurance which is allocated from the Home Office based on the actual expenses and the number of employees.

\*\* Insurance includes cost of property and liability insurance allocated from the Home Office based on property values.

\*\*\* Other operating expenses include cost of information technology expenses allocated from the Home Office based on the number of users.



**UNITED CHURCH HOMES AND SERVICES**

**Forecasted Statements of Operations and Changes in Net Assets - Home Office**

**Years Ending September 30, 2019 through 2023**

	(In Thousands of Dollars)				
	2019	2020	2021	2022	2023
Operating revenues:					
Health care	\$ -	\$ -	\$ -	\$ -	\$ -
Pavilion/assisted living	-	-	-	-	-
Outside services	-	-	-	-	-
Home care	-	-	-	-	-
Residential living service	-	-	-	-	-
Amortization of advance fees	-	-	-	-	-
Management fee income	4,245	4,355	4,435	4,520	4,598
Other operating revenue	799	827	856	886	917
Total operating revenues	<u>5,044</u>	<u>5,182</u>	<u>5,291</u>	<u>5,406</u>	<u>5,515</u>
Operating expenses:					
Health care	-	-	-	-	-
Medical records	-	-	-	-	-
Personnel	1,200	1,236	1,273	1,311	1,351
Laundry	-	-	-	-	-
Social services	-	-	-	-	-
Activities	-	-	-	-	-
Spiritual life	-	-	-	-	-
Housekeeping	-	-	-	-	-
Plant maintenance	-	-	-	-	-
Staff development	-	-	-	-	-
Pavilion/assisted living	-	-	-	-	-
Outside Services	-	-	-	-	-
Independent living	-	-	-	-	-
Home care	-	-	-	-	-
Clinic	-	-	-	-	-
Resident services	-	-	-	-	-
Transportation	-	-	-	-	-
Administrative	3,104	3,197	3,293	3,392	3,494
Marketing	-	-	-	-	-
Dietary	-	-	-	-	-
Wellness center	-	-	-	-	-
Beauty shop	-	-	-	-	-
Day care	300	309	319	328	338
Depreciation/amortization	235	230	214	184	125
Real estate taxes	11	11	11	11	11
Interest expense	-	-	-	-	-
Insurance	53	55	57	58	60
Bad debts	-	-	-	-	-
Other operating expenses	60	62	64	66	68
Total operating expenses	<u>4,963</u>	<u>5,100</u>	<u>5,231</u>	<u>5,350</u>	<u>5,447</u>
Operating income	<u>81</u>	<u>82</u>	<u>60</u>	<u>56</u>	<u>68</u>
Nonoperating income (loss):					
Contribution income	-	-	-	-	-
Other nonoperating expense	(285)	(295)	(306)	(316)	(327)
Investment/interest income	2,577	2,260	2,260	2,260	2,260
Net nonoperating income	<u>2,292</u>	<u>1,965</u>	<u>1,954</u>	<u>1,944</u>	<u>1,933</u>
Changes in net assets	2,373	2,047	2,014	2,000	2,001
Net assets, beginning	<u>49,372</u>	<u>51,745</u>	<u>53,792</u>	<u>55,806</u>	<u>57,806</u>
Net assets, ending	<u>\$ 51,745</u>	<u>\$ 53,792</u>	<u>\$ 55,806</u>	<u>\$ 57,806</u>	<u>\$ 59,807</u>

Section VII:  
**Reserves, Escrow and Trusts**

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The Board of Directors established an operating reserve in an amount equal to fifty (50) percent of the budgeted expenses for 2019 for the purpose of preserving the financial stability of the Corporation. This fund is invested and managed by independent money managers and had a balance of \$13,934,479 at September 30, 2018.

N.C.G.S. 58-64-33 requires the Corporation to maintain an operating reserve equal to fifty (50) percent of the total operating costs of the Community forecasted for the twelve-month period following the period covered by the most recent disclosure statement filed with the Department or twenty-five (25) percent, if occupancy is in excess of ninety (90) percent for the year ending September 30, 2018. Based on the Financial Forecasts, the Corporation will possess sufficient reserves to satisfy the Operating Reserve Requirement for United Church Homes and Services d/b/a Abernethy Laurels as shown below:

**Total Forecasted 2019 Operating Costs  
 For  
 United Church Homes and Services**

Total Operating Costs:	\$ 26,078,895
Principal Payment	204,000
Less Depreciation Expense	(3,358,332)
Less Amortization Expense	(53,515)
Less Debt Service Reserve Account	(3,098,571)
	<u>\$ 19,772,477</u>

**OPERATING RESERVE REQUIREMENT**

Total Forecasted Operating Costs for 2019	\$19,772,477
Multiplied by Required Percentage	<u>X 50%</u>
Total Operating Reserve Required for 2019	<u>\$ 9,886,239</u>

**ASSETS AVAILABLE TO FUND OPERATING RESERVE**

Portion of reserve corpus of assets whose use is limited - Board designated	<u>\$13,934,479</u>
Necessary funds available to fund operating reserve	<u>\$ 9,886,239</u>

For all of the above reserves, the Finance Committee of the Board of Directors has developed an investment policy and makes the final decision concerning investment strategies.

## Section VIII: Community Development and Expansion

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### **Abernethy Laurels**

United Church Homes and Services, d.b.a. Abernethy Laurels was established in 1971 with the original unit consisting of 68 adult care (assisted living) rooms. Thirty-one skilled nursing beds were constructed in 1977. The village began construction in 1980 consisting of homes, villas and apartments. The village expansion continues to be developed as units are marketed. The Pavilion was constructed in 1989. The Pavilion is a congregate living building that has forty (40) apartments, twenty-two (22) studio rooms and eighteen (18) licensed Adult Care Home beds for assisted living.

Two additional Health Center wings were constructed during 1991 and early 1992 to bring the total number of nursing beds to 174. A Memorial Garden was constructed on campus in 1991 and dedicated for use by residents and families. There is land available on the campus for future development. Abernethy Laurels completed construction of a community center in 2009, which offers a state-of-the-art wellness area, casual dining, a library and many additional spaces that create opportunities for social gatherings and small group meetings.

In Fiscal Year 2014, the Corporation began initial planning for Health Center replacement at Abernethy Laurels by engaging an architectural firm. The project consists of replacement of the Health Center, which includes 174 SNF beds. This project will be completed in at least two phases and construction of Phase I (96 beds) began in January 2016. The replacement project will not result in a change in bed capacity for the skilled nursing facility; however, the new construction was designed to provide innovative, homelike residential dining spaces and other common areas which will improve the quality of life for residents residing in the Health Center.

The first phase included a two story, steel framed building, with each 48-bed floor organized into three households. Each household serves sixteen (16) residents with living and dining spaces, designed to evoke a feeling of “home.” Construction of Phase I was completed in September of 2017, and the corporation moved forward with Phase II of the replacement of the remaining seventy-eight (78) beds, which will be companion suites (semiprivate rooms).

This second phase includes a two-story, steel framed building, with each 39-bed floor organized into two households. Each household, serving either nineteen (19) or twenty (20) residents, will include living, dining and activity spaces in a homelike environment. The Phase II addition will be linked to Phase I by a double-loaded corridor to the north, with common spaces and administrative offices. To the south, Phase II will be connected to the original building by a partially loaded corridor that will serve staff support functions and a new loading/storage/laundry complex to the west. Phase II is being constructed in multiple phases that will be sequenced with demolition of the existing aged Health Center, which began in October, 2017. Phase II is scheduled to be completed by the summer of 2019.

## **Funding**

Funding for future capital expansion will be provided by Residency Fees, contributions from interested individuals and other donors, entities, organizations, etc., bank financing, sale of tax-exempt bonds, and/or use of available reserves.

## **Section IX:**

### **Other Material Information**

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Abernethy Laurels has Medicare and Medicaid certified skilled nursing beds.

The Corporation strives to make every effort to reach out into the community and respond with care and services to meet a variety of needs of the growing older population. As opportunities and finances are available, new outreach ministries are undertaken not only to respond to needs, but also to help set standards for quality care and affordable retirement living opportunities. The Corporation is committed to carrying on charitable work in response to community and individual needs as funds are available and as opportunities present themselves.

The Corporation purchases general, professional and excess automobile liability insurance from Caring Communities, a Reciprocal Risk Retention Group (“CCrRRG”). CCrRRG is a District of Columbia insurer owned by approximately 50 members, including UCHS, all of whom are not-for-profit providers of senior services and housing, except one member which is a Vermont insurer owned by its members all of which are also not-for-profit providers of senior services and housing. CCrRRG is registered with the North Carolina Department of Insurance but is not covered by the North Carolina Guarantee Association.

Capital contributions are now represented by UCHS' Charter Capital Account of CCrRRG.

Balance Sheet, Profit and Loss, and Cash Flow items with a Material Variance of greater of 10% and \$500,000 are itemized and explained in corresponding footnote in the following pages numbered 48, 49 and 50.

## Balance Sheet

UCHS Comparison 2018 Forecast to 2018 Actuals  
(In Thousands of Dollars)

Material Variances of greater of 10% and \$500K are itemized and explained in footnotes.

	2018 Forecast	2018 Actual	Variance	% Variance	Footnote
<b>Assets</b>					
Current Assets:					
Cash and cash equivalents	4,230	4,016	(214)	(5.06%)	
Assets limited as to use	0	433	433	100%	
Accounts receivable, net	2,610	2,222	(388)	(14.87%)	
Due from affiliates	450	533	83	18.44%	
Other receivables and current assets	714	792	78	10.92%	
Total current assets	8,004	7,996	(8)	(0.10%)	
Assets limited as to use:					
Operating reserves	14,430	13,934	(496)	(3.44%)	
Patient Funds	30	103	73	243.33%	
Investments	450	444	(6)	(1.33%)	
Assets held by trustees and board designated	53,597	55,070	1,473	2.75%	
Total assets limited as to use	68,507	69,551	1,044	1.52%	
Property and equipment, net	64,460	65,102	642	1.00%	
Total assets	140,971	142,649	1,678	1.19%	
<b>Liabilities and Net Assets</b>					
Current Liabilities:					
Current portion of long-term debt	1,330	1,330	0	0.00%	
Accounts payable and accrued expenses	4,389	5,816	1,427	32.51%	(a)
Advance deposits, resident escrows and refunds payable	1,164	1,174	10	0.86%	
Due to affiliates	950	1,795	845	88.95%	(b)
Total current liabilities	7,833	10,115	2,282	29.13%	
Long-Term Liabilities:					
Long-term debt, less current portion	73,660	74,386	726	0.99%	
Long-term refund payable	8,439	8,026	(413)	(4.89%)	
Deferred revenue from advanced fees:					
Non-refundable contracts	11,834	13,612	1,778	15.02%	(c)
Refundable contracts	7,889	5,922	(1,967)	(24.93%)	(d)
Total liabilities	109,655	112,061	2,406	2.19%	
Net Assets:					
Without Donor Restrictions:	31,316	30,564	(752)	(2.40%)	
With Donor Restrictions	0	24	24	100.00%	
Total net assets	31,316	30,588	(728)	(2.32%)	
Total liabilities and net assets	140,971	142,649	1,678	1.19%	

Based on material variance of 10% in main category with floor of \$500K

- (a) Accounts payables higher than forecast due to accrual related to year end expenses.
- (b) Due to affiliates higher than forecast due to increased cash flow from affiliates.
- (c) Deferred revenue from non-refundable contracts higher than forecast due to more residents choosing non-refundable contracts.
- (d) Deferred revenue from refundable contracts less than forecast due to fewer residents choosing non-refundable contracts.

Material Variances of greater of 10% and \$500K are itemized and explained in footnotes.

## Profit and Loss Statement

UCHS Comparison 2018 Forecast to 2018 Actuals (In Thousands of Dollars)

	2018 Forecast	2018 Actual	Variance	% Variance	Footnote
Operating revenues:					
Health care	24,331	22,265	(2,066)	(8.49%)	
Residential living service	8,722	8,504	(218)	(2.50%)	
Pavilion/assisted living	1,862	1,628	(234)	(12.55%)	
Home care	2,532	2,161	(371)	(14.63%)	
Outside services	27	77	50	183.64%	
Amortization of advance fees	3,199	3,252	53	1.66%	
Management fee income	1,799	1,799	0	0.00%	
Other operating revenue	1,033	1,034	1	0.10%	
Total operating revenues	43,505	40,720	(2,785)	(6.40%)	
Operating expenses:					
Health care	11,517	11,079	(438)	(3.80%)	
Medical records	100	114	14	13.98%	
Personnel	7,288	6,627	(662)	(9.08%)	
Laundry	247	226	(21)	(8.55%)	
Social services	209	192	(17)	(8.15%)	
Activities	255	254	(1)	(0.22%)	
Spiritual life	117	114	(3)	(2.34%)	
Housekeeping	829	863	34	4.11%	
Plant maintenance	3,324	3,682	358	10.76%	
Pavilion/assisted living	753	714	(39)	(5.20%)	
Outside services	32	73	41	129.14%	
Independent living	339	342	3	0.90%	
Home care	1,919	1,751	(168)	(8.75%)	
Clinic	87	90	3	2.87%	
Resident services	170	158	(12)	(6.97%)	
Transportation	98	166	68	69.51%	
Dietary	3,496	3,452	(45)	(1.27%)	
Wellness center	138	135	(3)	(1.87%)	
Beauty shop	58	58	0	0.63%	
Day care	300	242	(58)	(19.40%)	
General and administrative:					
Administrative	4,174	3,796	(378)	(9.06%)	
Marketing	786	872	86	10.91%	
Staff development	117	90	(27)	(23.08%)	
Depreciation/amortization	5,201	5,676	475	9.14%	
Real estate taxes	11	11	0	0.27%	
Interest expense	2,128	2,411	283	13.32%	
Insurance	592	571	(21)	(3.54%)	
Bad debts	564	508	(56)	(10.01%)	
Other operating expenses	320	255	(65)	(20.31%)	
Total operating expenses	45,169	44,522	(647)	(1.43%)	
Operating loss	(1,664)	(3,802)	(2,138)	(128.49%)	
Non-operating income (loss):					
Contribution income/expense	1,137	1,027	(111)	(9.72%)	
Other non-operating expense	(216)	55	271	125.63%	
Investment/interest income	1,766	3,018	1,252	70.92%	(e)
Net non-operating income	2,687	4,100	1,413	52.60%	
Changes in net assets	1,023	298	(725)	(70.84%)	

Based on material variance of 10% in main category with floor of \$500K

(e) Investment income exceeded forecast due to unrealized gains being greater than anticipated

## Cash Flow

Comparison 2018 Forecast to 2018 Actual (In Thousands of Dollars)

Material Variances of greater of 10% and \$500K are itemized and explained in footnotes.

	2018 Forecast	2018 Actual	Variance	% Variance	Footnote
Cash flows from operating activities:					
Changes in net assets	1,023	298	(725)	(70.84%)	
Adjustments to reconcile changes in net assets to net cash provided by operating activities:					
Net realized and unrealized gain on investments	(1,766)	(3,018)	(1,252)	(70.92%)	(e)
Depreciation/amortization	5,130	5,676	546	10.65%	(f)
Amortization of advance fees	(3,199)	(3,250)	(51)	(1.58%)	
Advance fees received - nonrefundable	3,774	4,316	542	14.36%	(c)
Advance fees received - refundable	1,275	1,044	(231)	(18.11%)	
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable, net	90	478	388	431.11%	
Other receivables and current assets	-	(136)	(136)	(100.00%)	
Increase (decrease) in:					
Accounts payable and accrued expenses	(910)	492	1,402	154.07%	(a)
Advance deposits, resident escrows & refunds payables	(205)	(263)	(58)	(28.29%)	
Net cash provided by operating activities	5,212	5,638	484	8.18%	
Cash flows from investing activities:					
Changes in assets limited as to use	(12,431)	(12,689)	(258)	(2.08%)	
Repayments from related parties, net	317	1,080	763	240.69%	(b)
Purchases of property and equipment	(13,908)	(14,265)	(357)	(2.56%)	
Net cash used in investing activities	(26,022)	(25,874)	148	0.57%	
Cash flows used in financing activities:					
Refunds of advance fees	(1,350)	(2,141)	(791)	(58.63%)	(g)
Issuance costs paid	(1,016)	(1,016)	-	0.00%	
Proceeds from issuance of new debt, net	25,056	25,059	3	0.01%	
Principal payments of long-term debt	(1,880)	(1,880)	-	0.00%	
Net cash used in financing activities	20,810	20,022	(788)	(3.79%)	
Net increase (decrease) in cash and cash equivalents	-	(214)	(214)	(100.00%)	
Cash and cash equivalents, beginning	4,230	4,230	(0)	(0.01%)	
Cash and cash equivalents, ending	4,230	4,016	(214)	(5.06%)	

Based on material variance of 10% in main category with floor of \$500K

- (a) Accounts payables higher than forecast to accrual related to year end expenses.
- (b) Due to affiliates higher than forecast due to increased cash flow from affiliates.
- (c) Deferred revenue from non-refundable contracts higher than forecast due to more residents choosing non-refundable contracts.
- (e) Investment income exceeded forecast due to unrealized gains being greater than anticipated.
- (f) Depreciation expense higher than estimated related to construction project and accelerated depreciation on existing building scheduled for demolition.
- (g) Refunds of advance fees higher than forecast due to higher than expected turnover of contract holders.

## **Exhibit 1: Fee Schedules**

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Each of the following **Fee Schedules** provide an itemized list of services, not included in the Monthly Service Fee, which may be available on a fee-for-service basis.



United Church Homes and Services d/b/a Abernethy Laurels  
**The Health Center**  
 Fee Schedule as of October 1, 2018

**Activities**

Fees for workshops, trips, programs, and classes will be established according to costs related to the activity.

**Supportive Services** (½ Hour minimum)

Personal Laundry Service (*per month*) .....\$ 55.00

**Clerical Services**

Administrative Services (*Per ½ hour, plus supplies*) .....\$ 14.00  
 NSF Check Charge .....50.00  
 Late Payment Fee .....50.00  
 Duplication beyond 5 pages (*per copy*) ..... .20  
 Facsimile Fee (*per page/\$20 max/trans*) .....2.00  
 Notary Services (*per principal signature*).....5.00

**Salon Services**

Shampoo and set.....\$ 15.00  
 Color.....45.00  
 Permanent.....60.00  
 Haircuts .....15.00  
 (*Other services available at posted prices*)

**Key Duplication** (*each*) .....\$ 5.00

**Meals**

Guest Breakfast .....\$ 6.00  
 Guest Lunch or Dinner .....8.00  
 Child's Plate (*under 13 years*) .....5.00  
 Catering Services.....*Quote Upon Request*  
 Village Bistro .....*Posted Prices*

**Medical**

Oxygen (*Monthly*) .....\$ 40.00  
 Air Mattress (*Monthly*) .....275.00  
 C-PAP (*Monthly*).....90.00  
 Bi-PAP (*Monthly*).....230.00  
 (*Other services available at posted prices*)

**Nursing Services** (*Incontinence Program Per Day*)

Small .....\$ 9.00  
 Medium .....11.00  
 Large .....12.00  
 X-Large .....13.00  
 XX-Large .....15.00  
 Bariatric.....17.00  
 (*Non-routine nursing supplies, charged per unit*)

**Telephone**

Installation Fee .....\$ 60.00  
 Monthly Fee .....17.00

**Transportation**

(*Scheduled round trip, per person [medical]*)

Newton/Conover .....\$ 35.00  
 Research Triangle Park/Asheville..... 155.00  
 Hickory Metro/Denver/Lincolnton ..... 45.00  
 Statesville/Huntersville/Gastonia ..... 65.00  
 Charlotte Metro/Winston-Salem ..... 120.00

*Negotiated trips beyond above are charged a mileage fee, plus driver fee*

Weekdays (*per ½ Hour*) ..... 15.00  
 Weekends/Holidays (*per ½ Hour*) ..... 20.00  
 Mileage fee per mile Car ..... 1.00  
 Mileage fee per mile Bus ..... 2.00

**Guest Rooms** (*per night/per room*)

Twin Oaks Studio .....\$ 65.00  
 Dogwood One-Bedroom ..... 75.00

**Use Of Common Space**

Residents may use common spaces for private gatherings by making reservations with administration. There is a fee for larger spaces.

Set up and clean up  
 Per staff person, per ½ hour .....\$ 14.00

**Private Care Services**

Companion (*per hour/two-hour minimum*) .....\$ 18.50  
 Home Care Aide (*per hour/two-hour minimum*) 20.00  
 Premium Charge for \*Short Notice Rate X 2  
 \**Less than 24 Hr. Notice of Service Request*

**Daily Room Rates**

Harmony and Hope Courts (Private Suite) ..... 287.00  
 Noble/Peace Courts (Private Suite)..... 287.00  
 Noble/Peace Courts (Companion Suite) ..... 259.00  
 Grace and Unity Courts (Private Suite) ..... 361.00  
 Friendship/Faith Courts (Private Suite) ..... 295.00  
 West (Private Room)..... 287.00  
 West (Companion Room) ..... 259.00

**Note:** Arrangements for special services not listed may be made by contacting administration. Fees subject to change with an advance notice.

United Church Homes and Services d/b/a Abernethy Laurels  
**Adult Care Home**  
 Fee Schedule as of October 1, 2018

**Activities**

Fees for workshops, trips, programs, and classes will be established according to costs related to the activity.

**Clerical** (per 1/2 hour, plus supplies)

Administrative Services .....	\$ 14.00
NSF Check Charge .....	50.00
Late Payment Fee.....	50.00
Duplication beyond 5 pages (per copy) .....	0.20
Fax Fee (per page, \$20 max per transmission) .....	2.00
Long-term Care Insurance	
Initial set up fee .....	50.00
Monthly filing fee.....	25.00
Notary Services (per principal signature) .....	5.00

**Salon Services**

Shampoo and set .....	\$ 15.00
Color .....	45.00
Permanent .....	60.00
Haircut .....	15.00
Pedicure .....	25.00
Manicure .....	15.00
<i>(Other services available at posted prices)</i>	

**Key Duplication** (each)..... \$ 5.00

**Dining Services**

<b>Promenade Dining Room</b>	
Guest Breakfast .....	\$ 6.00
Guest Lunch or Dinner .....	8.00
Child's Plate (under 13 years) .....	5.00
Special Event Meals .....	Posted Price
Catering Services .....	Quote upon request
Village Bistro (a la cart).....	Posted Price

**Telephone**

Installation .....	\$ 60.00
Monthly fee.....	17.00

**Guest Rooms** (per Night)

Twin Oaks Studio .....	\$ 65.00
Dogwood One Bedroom .....	75.00

**Use Of Common Space**

Residents may use common spaces for private gatherings by making reservations with administration. There is a fee for larger spaces.

Set-up and Clean-up..... \$ 14.00  
*(Per staff person, per 1/2 hour)*

**Replacement Pendant Fee** ..... \$135.00

**Medical** (plus cost of supplies)

Air Mattress .....	\$ 275.00
Bladder Scan .....	20.00
Blood Draws .....	15.00
C-PAP (Monthly) .....	90.00
Bi-PAP (Monthly) .....	230.00
Injections (Other than Flu / Pneumonia) .....	10.00
Catheter Care .....	15.00
Dressing Change (Simple) .....	10.00
Dressing Change (Complex) .....	20.00
Ear Irrigation .....	20.00
Oxygen (Monthly).....	40.00
Urinalysis Specimen Collection.....	6.00

**Incontinence Program** (Per Day)

Small .....	\$ 9.00
Medium .....	11.00
Large .....	12.00
X-Large .....	13.00
XX-Large .....	15.00
Bariatric .....	17.00
<i>(Non-routine nursing supplies, charged per unit)</i>	

**Transportation** (Round-Trip, per person)

Newton/Conover .....	\$ 35.00
Catawba/Maiden .....	27.00
Hickory Metro/Denver/Lincolnton .....	45.00
Statesville/Huntersville/Gastonia .....	65.00
Charlotte Metro/Winston-Salem .....	120.00
Research Triangle Park/Asheville.....	155.00

**Shuttles**

Charlotte (CLT) Airport (one way).....	65.00
Greensboro (GSO) Airport (one way).....	125.00
Concord (JQF) Executive Airport (one way).....	65.00
<i>Negotiated trips beyond above are charged a mileage fee, plus driver fee</i>	
Weekdays (per 1/2 Hour).....	\$ 15.00
Weekends/Holidays (per 1/2 Hour).....	20.00
Mileage fee per mile Car.....	1.00
Mileage fee per mile Bus .....	2.00
Leisure Trips .....	Posted Price

**Daily Room Rates**

ACH Daily Rate .....	\$ 174.00
Daily Respite Rate .....	178.00

**Note:** Arrangements for special services not listed may be made by contacting administration. Fees subject to change with an advance notice.

United Church Homes and Services d/b/a Abernethy Laurels  
**The Pavilion**  
 Fee Schedule as of October 1, 2018

**Activities**

Fees for workshops, trips, programs, and classes will be established according to costs related to the activity.

**Catered Services**

*(per ½ Hour / per staff person, with ½ Hour minimum)*

Housekeeping and Laundry.....\$ 12.00  
 Maintenance and Gardening..... 15.00  
 Personal Laundry Service (per month)..... 55.00  
 Escort to Dining (per month) .....150.00

**Clerical** *(per ½ hour, plus supplies)*

Administrative Services .....\$ 14.00  
 NSF Check Charge..... 50.00  
 Late Payment Fee ..... 50.00  
 Duplication beyond 5 pages *(per copy)*..... 0.20  
 Fax *(per page, \$20 max per transmission)* ..... 2.00  
 Notary Services *(per principal signature)*..... 5.00

**Salon Services**

Shampoo and set .....\$ 15.00  
 Color ..... 45.00  
 Permanent..... 60.00  
 Haircuts ..... 15.00  
 Pedicure..... 25.00  
 Manicure ..... 15.00

*(Other services Available at Posted Prices)*

**Key Duplication** *(each)*.....\$ 5.00

**P.O.S. Card Replacement** *(each)*.....\$15.00

**Dining Services** *(Promenade Dining Room)*

Guest Breakfast.....\$ 6.00  
 Guest Lunch or Dinner ..... 8.00  
 Child's Plate (under 13 years) ..... 5.00  
 Special Event Meals..... *Posted Price*  
 Catering Services ..... *Quote Upon Request*  
 Village Bistro *(a la cart)* ..... *Posted Price*

**Guest Rooms** *(per night)*

Twin Oaks Studio .....\$ 65.00  
 Dogwood One Bedroom ..... 75.00

**Telephone** *(Pavilion Adult Care (Assisted Living only)*

Installation..... 60.00  
 Monthly Fee (Studio A and B Units) ..... 17.00

**Pendant Replacement Fee** .....\$135.00

**Core Fitness and Spa**

Membership included in Monthly Support Service fees.  
 Massage..... *Posted Price*

**Medical** *(see "Laurels At Home" Fee Schedule)*

**Transportation** *(Schedule round trips, medical)*

Newton/Conover .....\$ 35.00  
 Catawba/Maiden .....27.00  
 Hickory Metro/Denver/Lincolnton.....45.00  
 Statesville/Huntersville/Gastonia .....65.00  
 Charlotte Metro/Winston-Salem ..... 120.00  
 Research Triangle Park/Asheville .....155.00

**Shuttles**

Charlotte (CLT) Airport (one way).....65.00  
 Greensboro (GSO)Airport (one way).....125.00  
 Concord (JQF) Executive Airport (one way) .....65.00  
 Grocery Shopping (per person/round trip) ..... 13.00

*Negotiated trips beyond above are charged a mileage fee, plus driver fee*

Weekdays (per ½ Hour) ..... 15.00  
 Weekends/Holidays (per ½ Hour).....20.00  
 Mileage fee per mile Car ..... 1.00  
 Mileage fee per mile Bus .....2.00  
 Leisure Trips ..... *Posted Price*

**Use Of Common Space**

Residents may use common spaces for private gatherings by making reservations with administration. There is a fee for larger spaces.

Set up and clean up  
 Per staff person, per ½ hour .....\$ 14.00

**Note:** Arrangements for special services not listed may be made by contacting administration. Fees subject to change with an advance notice.

United Church Homes and Services d/b/a Abernethy Laurels  
**The Village**  
 Fee Schedule as of October 1, 2018

**Activities**

Fees for workshops, trips, programs and classes will be established according to costs related to the activity

**Maintenance**

*(per 1/2 Hour / per staff person, with 1/2 Hour minimum)*

Maintenance Services..... \$15.00

**Housekeeping**

*(per 1/2 Hour / per staff person, with 1/2 Hour minimum)*

Housekeeping Services ..... \$12.00

**Landscaping**

Packages available upon request

**Clerical** *(per 1/2 hour, plus supplies)*

Administrative services ..... \$ 14.00

NSF Check Fee..... 50.00

Late Payment Fee ..... 50.00

Duplication beyond 5 pages *(per page)*..... 0.20

Fax Fee *(per page, \$20 max per transmission)* .... 2.00

Notary Services *(per principal signature)* ..... 5.00

**Salon Services**

Shampoo and set..... \$15.00

Color..... 45.00

Permanent..... 60.00

Haircuts ..... 15.00

Pedicure..... 25.00

Manicure..... 15.00

*(Other services Available at Posted Prices)*

**Key Duplication** *(each)* ..... \$5.00

**P.O.S. Card Replacement** *(each)* ..... \$15.00

**Dining Services** *(Promenade Dining Room)*

Breakfast..... \$6.00

Lunch or Dinner ..... 8.00

Child's Plate *(under 13 years)* ..... 5.00

Special Event Meals ..... Posted Price

Catering Services..... Quote Upon Request

Meal Delivery *(on Campus)* ..... Included

**Laurel Woods' Meal Packages**

*(Non-Cumulative and Excludes Special Event Meals):*

10 Meals per Month ..... \$ 72.00

20 Meals per Month ..... 136.00

30 Meals per Month ..... 192.00

Village Bistro *(a la cart)* ..... Posted Price

**Medical** *(see "Laurels At Home" Fee Schedule)*

**Guest Rooms** *(per night)*

Twin Oaks Studio ..... \$65.00

Dogwood One Bedroom..... 75.00

**Transportation** *(Schedule round trips, per person/medical)*

On Campus Transport ..... 2.00

Newton/Conover ..... \$35.00

Catawba/Maiden..... 27.00

Hickory Metro/Denver/Lincolnton..... 45.00

Statesville/Huntersville/Gastonia ..... 65.00

Charlotte Metro/Winston-Salem ..... 120.00

Research Triangle Park/Asheville ..... 155.00

**Shuttles**

Charlotte (CLT) Airport *(one way)*..... 65.00

Concord (JQF) Executive Airport *(one way)* .... 65.00

Greensboro (GSO) Airport *(one way)* ..... 125.00

Grocery Shopping *(per person, round trip)* ..... 13.00

*Negotiated trips beyond above are charged a mileage fee, plus driver fee*

Weekdays *(per 1/2 Hour)* ..... 15.00

Weekends/Holidays *(per 1/2 Hour)* ..... 20.00

Mileage fee per mile Car ..... 1.00

Mileage fee per mile Bus..... 2.00

Annual Bus Pass *(per person, local travel)* ..... \$150.00

Leisure Trips ..... Posted Price

**Core Fitness and Spa**

Membership included in Monthly Support Service fees.

Massage ..... Posted Price

**Use of Common Space**

Residents may use common spaces for private gatherings by making reservations with administration. There is a fee for larger spaces.

Set up and clean up

Per staff person, per 1/2 hour ..... \$ 14.00

**Note:** Arrangements for special services not listed may be made by contacting administration. Fees subject to change with an advance notice.

United Church Homes and Services d/b/a Abernethy Laurels  
**Laurels At Home**  
 Fee Schedule as of October 1, 2018

**Home Care**

Home Care Aide:	
<i>(per Hour, 2 Hour minimum)</i> .....	\$20.00
Weekends/Holidays <i>(per Hour, 1 Hour minimum)</i> .....	22.00
Companion/Personal Assistant:	
<i>(per Hour, 2 Hour minimum)</i> .....	18.50
Weekends/Holidays <i>(per Hour, 1 Hour minimum)</i> .....	20.50
Licensed Nurse Visit .....	30.00
Home Care Enrollment Fee.....	55.00
Dietician Consultant <i>(per Hour)</i> .....	50.00
Premium Charge for *Short Notice .....	Rate X2
Premium Charge for Over Scheduled Time ..	Rate X2
<i>*Less than 24 Hrs. advance notice of service request</i>	
Medication Assistance/Reminders <i>(per Month)</i>	
1 time per day .....	70.00
2 times per day .....	90.00
3 times per day .....	130.00
4 times per day .....	160.00
Medication Box Pre-Pour <i>(per Week)</i> .....	20.00
Infirmiry Room Charge <i>(per Day)</i> .....	150.00

**Medical** *(plus cost of supplies)*

Bladder scan .....	\$20.00
Blood Draws.....	15.00
Catheter Insertion or Removal .....	15.00
Dressing Change <i>(Simple)</i> .....	10.00
Dressing Change <i>(Complex)</i> .....	20.00
Ear Irrigation .....	20.00
EKG.....	60.00
Glucose Test.....	5.00
Injections <i>(Other than Flu/Pneumonia)</i> .....	10.00
Pacemaker Check .....	15.00
Pulse Ox .....	12.00
Trim Toenails .....	15.00
Urinalysis Specimen Collection .....	6.00
<i>(Other services available at negotiated rates)</i>	

**Long-term Care Insurance**

Initial set up fee .....	50.00
Monthly filing fee .....	25.00
Late Payment fee .....	50.00

Non-resident Respite Care available on the campus; charge per day based upon level of living. See Admissions Counselor for more details.

Respite care in-home available based on services provided.

Services based on availability. Some services not available off campus.

**Note:** Minimum Enrollment of Four weeks required.

**Note:** Arrangements for special services not listed may be made by contacting administration. Fees subject to change with an advance notice.

## **Exhibit 2: Residential Living Unit: 50% Refund**

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**Residential Living Unit: 50% Refund**

Residential Living Residency Agreement  
**Between**

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*(Resident)*

And

United Church Homes and Services  
100 Leonard Avenue, Newton, NC 28658

Dated: March 1, 2019

**ABERNETHY LAURELS**  
**United Church Homes and Services**  
100 Leonard Avenue, Newton, NC 28658

Residential Living Residency Agreement

**1. Basic Requirements**

(a) This Residency Agreement is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ by and between \_\_\_\_\_ hereinafter referred to as the “*Resident*” and United Church Homes and Services, a not-for-profit Corporation chartered by the State of North Carolina, hereinafter referred to as the “*Corporation*.” The Corporation is chartered to carry on ministry among aging persons within the bounds of the Southern Conference of the United Church of Christ. This Residency Agreement is made between the Corporation and the Resident for occupancy of a \_\_\_\_\_ numbered \_\_\_\_\_, hereinafter referred to as the “*Residential Living Unit*,” located at Abernethy Laurels, hereinafter referred to as the “*Community*.” This Residency Agreement is made binding with payment by the Resident a Residency Fee in the amount of \$ \_\_\_\_\_, and a Monthly Support Service Fee.

(b) Cancellation Prior to Occupancy Due to Death, Illness or Incapacity.

If this Residency Agreement is entered into prior to occupancy of the Residential Living Unit and the Resident dies before occupying the Residential Living Unit, or if, on account of illness, injury, or incapacity, the Resident would be precluded from occupying the Residential Living Unit, this Residency Agreement is automatically cancelled and the Resident or legal representative of the Resident shall receive a refund of all money or property transferred to the Corporation:

- (i) less any nonstandard costs specifically incurred by the Corporation at the request of the Resident, and
- (ii) any refund due the Resident for cancellation of this Residency Agreement under these circumstances will be made within forty-five (45) days after receipt by the Corporation of a written notice of the Resident’s death, illness or incapacity.

(c) Cancellation by the Resident Within Thirty (30) Days of Contract Execution.

Notwithstanding any other provision of this Residency Agreement, the Resident may rescind this Residency Agreement within thirty (30) days following the execution of this Residency Agreement (or the receipt of a disclosure statement, if later) in which event any money paid will be refunded in full, other than:

- (i) the Monthly Support Service Fee applicable to the period a Residential Living Unit was occupied by the Resident;
- (ii) any damage caused to the Residential Living Unit during occupancy or in moving;

Resident Initials: \_\_\_\_\_



- (iii) any nonstandard costs specifically incurred by the Corporation at the request of the Resident; and
- (iv) any refund due the Resident under this thirty (30) day provision will be made within forty-five (45) days after receipt by the Corporation of a written notice of cancellation from the Resident. The Resident is not required to move into the Residential Living Unit before the expiration of this thirty (30) day period.

(d) Cancellation by the Resident Between the Thirtieth (30th) and Ninetieth (90th) Day of Occupancy.

During the first ninety (90) days of occupancy, the Resident will have the right to terminate this Residency Agreement by serving the Corporation with written notice of such termination. During the ninety (90) day period, the Corporation also has the right to terminate this Residency Agreement based on its judgment regarding the Resident's ability to adjust to this lifestyle. Any money paid will be refunded in full, other than:

- (i) the Monthly Support Service Fee applicable to the period the Residential Living Unit was occupied by the Resident;
- (ii) a ten percent (10%) reduction in the initial Residency Fee paid;
- (iii) cost for repair of any damage caused to the Residential Living Unit during occupancy or in moving;
- (iv) any nonstandard costs specifically incurred by the Corporation at the request of the Resident; and
- (v) any refund due the Resident for termination during this period will be made within thirty (30) days after the Residential Living Unit is vacated.

(e) Cancellation by the Resident After Ninety (90) Days of Occupancy.

After the ninety (90) day period, this Residency Agreement may be terminated by the Resident at any time by serving the Corporation a sixty (60) day advance written notice of such termination. For termination by the Resident under this paragraph (e), the Resident's rights to a refund and the account of any such refund, will be described in Section 3 of this Residency Agreement, below.

(f) Terminations by the Corporation

The Corporation may terminate this Residency Agreement at any time if:

- (i) there has been any material misrepresentation or omission made by the Resident on the Application Form;
- (ii) there is conduct on the part of the Resident that threatens the safety or well-being of the Resident, that of the Resident's neighbors, or employees of the Corporation.

Resident Initials: \_\_\_\_\_

(g) Responsibilities of the Resident Upon Cancellation or Termination

At the effective date of termination of this Residency Agreement, the Resident shall vacate the Residential Living Unit and shall leave it in good condition except for reasonable wear and tear. Damage due to smoking or having household pets, if approved, will not be considered as reasonable wear and tear. The Resident shall be responsible to the Corporation for any costs incurred in restoring the Residential Living Unit to good condition and repair any damage beyond reasonable wear and tear.

(h) Joint Occupancy of Residential Living Unit

If another individual ("Other Resident") signs a separate Residency Agreement to share occupancy of the same Residential Living Unit with the Resident, in the event of the death of the Other Resident, or the removal of the Other Resident from the Residential Living Unit on a permanent basis for any reason, the remaining Resident will continue to enjoy all rights, privileges, and obligations of this Residency Agreement. Any refund of the Residency Fee due under either of said Residency Agreements will not be computed until the termination of both Residency Agreements due to death or otherwise, and any refund due under either Residency Agreement will be paid to the Resident or Other Resident who is the last to terminate his or her Residency Agreement, within the time period described in paragraph 3(g) of this Residency Agreement.

(i) Effect of Termination

Upon termination of this Residency Agreement and upon complying with the provisions of this Residency Agreement, the Corporation shall have no further obligation to the Resident or their heirs, executors, administrators, or assigns.

**2. Changes In Occupancy**

(a) Should the Resident choose to marry and the new spouse is not a resident of the Community, the spouse will be required to submit an application for admission. The spouse would complete the regular admission process including the payment of all fees, which may include but not be limited to the upgraded and readjusted Residency Fee and the Monthly Support Service Fee. If denied, the couple will then have sixty (60) days to make other living arrangements. If the couple must make other living arrangements, any monies to be returned will be paid to the individual who was a contracted resident of the Community. This refund will be paid within thirty (30) days after the date that the last Residential Living Unit to have been occupied by the Resident has been vacated and made available for remarketing.

(b) Should the Resident choose to marry another resident and the two choose to occupy a single Residential Living Unit, any fees to be returned to the person vacating their Residential Living Unit will be set aside and held by the Corporation for use by that Resident to pay for necessary healthcare expenses should that Resident need nursing care.

Resident Initials: \_\_\_\_\_

- (c) After the Resident has occupied a Residential Living Unit, should the Resident desire to have another individual move in with them (including a new spouse), the new individual shall complete the normal admission process including the payment of all fees. If the application for admission is approved, either the original Residency Agreement shall be amended or new Residency Agreements shall be executed which specify the new rates and terms established by the Corporation.
- (d) Should a couple occupying a Residential Living Unit choose to no longer share a single living unit, one of the Residents may remain in the occupied Residential Living Unit with that Resident becoming solely entitled to any refund which may be later due under the Residency Agreement, and that Resident will continue to enjoy all rights, privileges and obligations of said Residency Agreement. A separate and new Residency Agreement must be executed for the Other Resident moving out of the Residential Living Unit and into another Residential Living Unit. Should the Other Resident vacating the Residential Living Unit choose to leave the Community and find other living opportunities, the Other Resident is not entitled to any refund and the Corporation shall have no further obligations to the Other Resident or their heirs, executors, administrators, or assigns.

### **3. Residency**

- (a) The Corporation agrees the Resident may occupy the Residential Living Unit described above, subject to the conditions of this Residency Agreement.
- (b) Upon termination of this Residency Agreement by either party, or upon the death of the Resident, after a new Residency Agreement has been executed by another party for the last Residential Living Unit to have been occupied by the Resident, and all fees due have been paid in full, the Resident or the Resident's estate will be entitled to a refund of the Residency Fee as described in this Section 3. The amount of the refund shall be based upon the length of time that has elapsed from the date the Residency Agreement was signed to the effective date of termination as follows:
  - (i) Refunds of Residency Fee for termination of this Residency Agreement within the first thirty (30) days of occupancy are covered by Section 1(c) of this Residency Agreement.
  - (ii) Refunds of the Residency Fee for termination of this Residency Agreement between the thirtieth (30<sup>th</sup>) and ninetieth (90<sup>th</sup>) day of occupancy are covered by Section 1(d) of this Residency Agreement.
  - (iii) In cases of termination of this Residency Agreement occurring between the ninety-first (91<sup>st</sup>) day of occupancy and the thirty-sixth (36<sup>th</sup>) month of occupancy, the Resident will be entitled to a refund of Residency Fees less 1.21% per month of occupancy through month thirty-six (36).

Resident Initials: \_\_\_\_\_

- (iv) In cases of termination of this Residency Agreement occurring after the thirty-sixth (36<sup>th</sup>) month of occupancy, the Resident will be entitled to a refund of fifty percent (50%) of the Residency Fee.
  - (v) During the life of the Resident at the Community, the refund shall not be assigned to another party, without an amendment to the Residency Agreement executed by the Resident and the Corporation.
- (c) If the Resident, because of changes in circumstances, chooses to move into a different Residential Living Unit where a lesser Residency Fee is required, the Resident may do so but without a refund. If the Resident should choose to move into a different Residential Living Unit where a larger Residency Fee is required, the Resident will pay the difference between the Residency Fee and additional fees based on the amount the Resident paid upon admission and the current Residency Fee for the new Residential Living Unit to be occupied.
- (d) If the Resident occupies the Residential Living Unit for less than ninety (90) days and then moves into the Health Center, the Corporation will retain ten percent (10%) of the Residency Fee. The remainder of the Residency Fee will be set aside for use by the Resident for healthcare expenses.
- (e) If the Resident should move into the Health Center and vacate the Residential Living Unit, regardless of the length of residence in the Residential Living Unit, this Residency Agreement will remain in effect.
- (f) If two persons sign a Residency Agreement for the same Residential Living Unit and one of them should need to move into the Health Center on a permanent basis, the Resident remaining in the Residential Living Unit will continue to enjoy all the rights, privileges, and obligations of this Residency Agreement. The prevailing cost of healthcare for the person moving into the Health Center shall be paid from that person's available assets including assets transferred by the Resident to a revocable trust or to any trust in which the Resident is a beneficiary. The person remaining in the Residential Living Unit becomes solely entitled to any refund of the Residency Fee that may later be due under this Residency Agreement.
- (g) After the first ninety (90) days of occupancy of the Residential Living Unit, any refund due the Resident under this Residency Agreement will be made only when the last Residential Living Unit to have been occupied by the Resident is covered by a new Residency Agreement with another person or persons and all new fees have been paid in full.

#### **4. Monthly Support Service Fee**

- (a) There is a monthly fee to be paid by the Resident at the beginning of each month that helps underwrite administrative/programmatic costs and a variety of support services. This fee

Resident Initials: \_\_\_\_\_

is referred to as a Monthly Support Service Fee. This fee provides the Resident with services including the following:

- (i) Outside maintenance and inside routine maintenance of the Residential Living Unit as described in the Resident Handbook.
  - (ii) Twelve (12) non-cumulative nurse visits per year, if needed. (See Paragraph 7(e) for clarification.)
  - (iii) Emergency call system to Nursing Station on 24-hour basis plus night security services.
  - (iv) The option to purchase meals singly or through a monthly rate.
  - (v) Access to programs and transportation of the Community. A minimum charge will be made for certain activities and items. The Resident will be informed of all charges.
  - (vi) Access to a variety of types of support services. A minimum charge will be made for these services. The Resident will be informed of all charges.
  - (vii) Other as herein listed: \_\_\_\_\_
- (b) Additional services may be purchased by the Resident. The list of additional services, which may be purchased, and the applicable cost of each to the Resident, are provided on the Fee Schedule that is published annually and attached as an addendum to this agreement.
- (c) The current Monthly Support Service Fee is as follows: \$\_\_\_\_\_. It is understood, given a thirty (30) day advance notice, this fee will be adjusted from time-to-time by the Corporation to reflect changes in costs.
- (d) The Corporation will furnish a monthly statement to the Resident for the Monthly Support Service Fee and all chargeable items incurred by the Resident.
- (e) The Resident's Monthly Support Service Fee and charges for additional services shall be paid on or before the tenth (10<sup>th</sup>) day of each month, except that the first Monthly Support Service Fee is due on the occupancy date. Payments not received by the due date will result in an assessment of the late fee listed in the Fee Schedule that is published annually and attached as an addendum to this agreement.
- (f) If, after a period of sixty (60) days, the Resident has not paid applicable fees and charges, the Corporation may terminate this Residency Agreement.
- (g) If the Resident plans to be absent from the Residential Living Unit for an extended period, the Resident may apply for a meal credit based on the meal plan for which the Resident is entitled.
- (h) The Monthly Support Service Fee is charged as long as the Resident and/or the Resident's possessions are occupying the unit.

Resident Initials: \_\_\_\_\_

## 5. Financial Requirements

- (a) The Resident must have assets and income which will be sufficient under foreseeable circumstances to pay the financial obligations under this Agreement and to meet their ordinary living expenses. The Resident shall be required at specific times to present the Corporation with an updated confidential financial statement.
- (b) The Resident or Resident's current and/or future representatives (i.e., power of attorney, executor, etc.,) will abide by any and all financial arrangements made with the Corporation for the purpose of securing the Resident's ability to pay any and all charges for residing at the Community. The Resident agrees not to make any gift or other transfer of assets for the purpose of evading the Resident's obligations under this Agreement, if such gift or transfer would render the Resident unable to meet their financial obligations under this Agreement. Gifts or transfers of assets in this manner, which result in the Resident's inability to meet the Resident's financial obligations in accordance with this Agreement, would entitle the Corporation to terminate this Agreement, and the Resident or Resident's representative, as applicable, would be liable for any unpaid amounts to the Corporation.
- (c) If requested by the Corporation, the Resident will apply for any or all federal, state, and local benefits for which the Resident may be eligible or entitled; and if requested by the Corporation, the Resident will apply any or all such benefits toward the cost of the Resident's care at the Community. These benefits may include, but would not be limited to: Medicare, prescription, and Veteran benefits.
- (d) The Corporation will carry fire and extended coverage insurance on the Residential Living Unit. The Resident will be responsible for insurance on contents and personal liability.
- (e) The Corporation will make a copy of its North Carolina Disclosure Statement available to the Resident that includes information regarding the financial status of the Corporation.
- (f) In the event it is necessary for the Corporation to take action for the purpose of enforcing this Residency Agreement or the collecting of any sums of money due under this Residency Agreement, the Corporation shall be entitled to recover routine attorney's fees, out-of-pocket expenses and court costs.
- (g) In the event that the Corporation is assessed sales or use tax on Monthly and/or Daily Fees and/or fees for other services, the Resident will be responsible for all such taxes.

## 6. Health Insurance

- (a) The Resident will maintain eligible Medicare Coverage and one supplemental insurance policy or equivalent insurance coverage, which adequately covers hospital, medical and skilled nursing deductibles and copayments required of the primary insurance plan.

Resident Initials: \_\_\_\_\_

- (b) If the Resident has chosen to participate in a managed care insurance program as an alternative to Medicare Part A, Medicare Part B, or other healthcare programs, and supplemental insurance coverage, when healthcare services are provided at the Community, the following restrictions apply:
  - (i) If the Corporation is an approved participating provider with the Resident's managed care program, the Corporation agrees to be reimbursed at the rate negotiated with the Resident's managed care program.
  - (ii) If the Corporation is not an approved participating provider with the Resident's managed care program and the Resident chooses to receive healthcare services at a managed care participating provider, then the Resident agrees that the Resident must relocate for as long as necessary for those services to be provided, and be responsible for all costs. In addition, while receiving healthcare services at the managed care participating provider, the Resident agrees that unless this Agreement is terminated, the Resident will continue to pay all fees for the Resident's living accommodation at the Community, unless the Resident's living accommodation has been surrendered to the Community.
  - (iii) If the Corporation is not a participating provider in the Resident's managed care program and a negotiated rate is not agreed upon by the Corporation, and the Resident would still like to receive healthcare services at the Community, then the Resident will be responsible for the full amount of applicable fees and any charges not paid by the Resident's insurance carrier.
- (c) Both the primary and supplemental health insurance policies must recognize the Corporation as a healthcare provider; or the Resident will assume the financial responsibility for services provided that otherwise would not be covered.
- (d) The Resident will be responsible for ensuring that the health insurance coverage does not lapse and, upon request, will provide the Corporation with evidence of such coverage. Should the health insurance coverage lapse, the Corporation may require the Resident to reapply for suitable coverage.
- (e) If the Resident is unable to obtain adequate new coverage, the Corporation will bill the Resident for any costs related to medical or other healthcare services that would have otherwise been covered by the health insurance coverage policy.
- (f) The Corporation reserves the right and sole discretion to eliminate and/or change its participation in all insurance plans.

## 7. Health Needs

- (a) The Resident will provide the Community with appropriate medical records thirty (30) days prior to occupancy and will, within sixty (60) days after taking occupancy, have a medical examination by a private physician or the Community's Medical Director. In matters of health, the Community's Medical Director will recommend to the administrative

Resident Initials: \_\_\_\_\_

staff continued occupancy of a suitable Residential Living Unit. The administrative staff would make a final decision on occupancy of said Residential Living Unit after consultation with the Resident, the Resident's physician, and/or the Resident's Power-of-Attorney/Resident Representative.

- (b) When the Resident's health condition changes, an assessment team is assigned to evaluate the Resident utilizing the Corporation's Level of Living Guidelines, a copy of which is available to all residents. A formal appeal process is available to the Resident if the assessment team recommends changes to the Resident's living accommodations and/or level of living status with which the Resident disagrees.
- (c) If at any time the Medical Director, in consultation with the administrative staff, determines the Resident is no longer able to function in a Residential Living Unit or needs care beyond the scope of the Corporation, the Resident will abide by that decision.
- (d) If the Resident becomes unable to care for their business and financial affairs, the Corporation reserves the right, because of its financial and moral involvement, to institute action for the determination of the Resident's competence and, if necessary, facilitate the appointment of a guardian to fulfill the terms of this Residency Agreement; unless such needed arrangements have already been made.
- (e) The Resident is provided with twelve (12) nurse visits per year as part of the Monthly Support Service Fee. Nurse visits are non-cumulative. The administrative staff, in consultation with the Resident's physician, shall determine the need for such routine services. A routine charge will be made to the Resident for nurse visits in excess of twelve (12) visits per year.
- (f) If the Resident should need Adult Care Services or Nursing Services such services will be made available by the Corporation at rates current at such time as said services are needed and according to available space.

## **8. Resident Obligations**

- (a) The Resident will make provisions in a Last Will and Testament thirty (30) days prior to occupancy for the final disposition of all furniture and possessions located at the Community, for burial and payment of funeral expenses, and for the appointment of an executor, provided the Resident does not already have a Will that would accomplish these purposes. The Resident agrees to complete an instruction form that will contain pertinent data related to the above matters and will keep this recorded information current while in residency. It is the responsibility of the Resident to deliver this up-to-date information to the Administrative Office.

Resident Initials: \_\_\_\_\_



- (b) The Resident shall, within thirty (30) days prior to occupancy, legally designate a person as Power-of-Attorney/Resident Representative. The name, address, and telephone number of this person, along with a copy of the documentation of this designation, will be filed with the Corporation.
- (c) The rights and privileges of the Resident under this Residency Agreement to living accommodations, facilities, and services are personal to the Resident and cannot be transferred or assigned by act of the Resident, or by any proceedings at law, or otherwise.
- (d) The Resident agrees to reimburse the Corporation for any loss or damage suffered by the Corporation resulting from their misconduct, negligence or any damage beyond normal wear and tear.
- (e) The Resident will maintain their living accommodations in a clean, safe, and orderly condition.
- (f) The Resident shall assist the Corporation in application for and utilization of all appropriate support funds to which the Resident may be entitled and agrees to execute reasonable and necessary documents for this purpose.
- (g) The Resident agrees to follow and abide by administrative policies that are designed for the comfort, safety, and security of all Residents. The Resident will be furnished a copy of the current Resident Handbook. The Resident Handbook includes administrative policies and procedures that are part of this Residency Agreement by reference and will be amended by the Corporation from time to time.
- (h) Rights of the Resident under this Residency Agreement are the rights and privileges herein expressly granted and do not include any proprietary interest in the properties or assets of the Corporation or any membership in the Corporation.
- (i) The Corporation shall not be responsible for the loss of any property belonging to the Resident due to theft, mysterious disappearance, fire or any other cause, it being understood that the Resident will have the responsibility of providing any desired insurance protection covering any such loss. Ten (10) days after the death of the Resident or termination of this Residency Agreement, the Corporation shall have the right to remove all property from the Resident's Residential Living Unit and to store and charge for the storage of such property, if the Resident or the Resident's estate has not disposed of same.
- (j) The Corporation assumes no responsibility for any injury or illness resulting from misconduct or negligence of or by the Resident.
- (k) The Corporation shall not be liable or responsible for any expenses incurred or obligations of any nature contracted by the Resident.

Resident Initials: \_\_\_\_\_

**9. Financial Assistance**

- (a) In connection with its charitable mission, the United Church Homes and Services Foundation, hereinafter referred to as the “*Foundation*” was established to help fulfill the Corporation’s desire that a Resident would not need to leave the Community solely due to the lack of funds. Any disposition of the Resident’s assets in any way other than for care and services at the Community or related living/medical expenses to the extent that Resident cannot adequately provide for the Resident’s expenses or care, will disqualify the Resident for financial assistance from the Foundation and entitle the Corporation to terminate the Resident’s right to reside at the Community.

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

In the event that the Foundation may subsidize in whole or in part the fees and charges payable by the Resident hereunder, the Resident will be required to execute a separate Financial (Benevolence) Assistance Agreement with the Foundation.

In the event that the Foundation continues to provide the services to the Resident under the terms of said Financial (Benevolence) Assistance Agreement despite the Resident’s financial inability to continue to pay the fees or charges payable under the terms of this Agreement, the Corporation shall be entitled to require the Resident to move to a smaller or less costly living accommodation.

Any determination by the Foundation with regard to the granting or continuation of financial assistance shall be within the sole discretion of the Foundation, under a separate agreement.

- (b) When a Resident leaves the Community either through death or relocation, if said Resident’s fees have been subsidized wholly or partly by the Foundation, the Resident or Resident’s estate, if any, will be liable to the Foundation for the full amount of the subsidy the Resident received for the entire time of residency. This provision will apply whether or not the Resident is residing at the Community at the time of death. This Agreement will operate as a lifetime assignment, transfer and conveyance to the Foundation of the amount of the Resident’s property that is necessary to cover such liability. Any amount due the Foundation under this provision may be deducted from any refund payable by the Corporation to the Resident or to the Resident’s estate, with said funds to be used to reimburse the Foundation.
- (c) The Foundation has established funds which will be used to assist Residents who would otherwise not be able to live at the Community. These funds may be used for the purpose of providing financial assistance, but no Resident shall have any claim to or expectation of receiving or continuing to receive any such assistance.

Resident Initials: \_\_\_\_\_

- (d) The resources of the Foundation to provide financial assistance are limited, and the Corporation reserves the right to terminate the residency of any Resident who cannot pay the full cost of Corporation's fees and charges, and other costs in connection with such Resident's stay at the Community.

**10. Residency Agreement Concerns**

- (a) This Residency Agreement constitutes the entire Contract by and between the Corporation and the Resident. The Corporation is not liable in any manner by any statements, representations, or promises made by persons representing or purporting to represent the Corporation, unless such statements, representations, or promises are set forth in this Residency Agreement or in a subsequent Residency Agreement signed by the parties.
- (b) Notwithstanding any other provisions of this Residency Agreement, the Corporation shall have the right to alter the living accommodations of the Resident to meet the requirement of law, or regulation of the Fire Department, Department of Public Health, or other duly constituted authorities or agencies.
- (c) Except as set forth herein, this Residency Agreement shall bind and inure to the benefit of the successors and assigns of the Corporation and the heirs, executors, and administrators, and assigns of the Resident.

**11. Other Considerations**

- (a) This Residency Agreement supersedes any previous agreements between said parties.
- (b) The Resident has been given, as an Addendum to this Residency Agreement, a current copy of the Resident Handbook. The Resident understands that these documents will change from time to time but that they are the procedural documents for those occupying Residential Living Units at the Community.
- (c) The Resident shall not transfer or voluntarily reduce substantially their assets, as related on their application for occupancy of a Residential Living Unit at United Church Homes and Services, without notification to the Corporation.
- (d) Should the Resident become financially unable to pay the Monthly Support Service Fee, the per diem Health Center Fee, or any other fees charged by the Center, the administrative staff of the Corporation will assist the Resident in applying for funds needed to meet the charges for care.
- (e) The Resident shall apply for any and all federal, state, and local grants and benefits for which the Resident may be entitled or eligible, and to apply any and all such grants and benefits toward the cost of the Resident's care at the Center. The Resident's failure to do so will result in termination of this Residency Agreement by the Corporation and release of its obligations hereunder.
- (f) All items in the aforementioned Residency Agreement are binding as of the date signed.

Resident Initials: \_\_\_\_\_

The undersigned representative of United Church Homes and Services and the undersigned Resident do hereby certify that on this date a current Disclosure Statement dated \_\_\_\_\_ and a current copy of the Resident Handbook have been presented to the Resident(s) and that the Monthly Support Service Fee has been explained to the Resident(s). Prior to execution of this Residency Agreement, the Resident(s) had opportunity to obtain the assistance of counsel in reviewing its terms.

The parties hereby execute this Residency Agreement:

**United Church Homes and Services**

\_\_\_\_\_ By: \_\_\_\_\_  
Date Authorized Community Representative/Title

\_\_\_\_\_ By: \_\_\_\_\_  
Date Resident

## **Exhibit 3: Residential Living Unit: Fully Declining**

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**Residential Living Unit: Fully Declining**

Residential Living Residency Agreement  
**Between**

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*(Resident)*

And

United Church Homes and Services  
100 Leonard Avenue, Newton, NC 28658

Dated: March 1, 2019

**ABERNETHY LAURELS**  
**United Church Homes and Services**  
100 Leonard Avenue, Newton, NC 28658

Residential Living Residency Agreement

**1. Basic Requirements**

- (a) This Residency Agreement is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ by and between \_\_\_\_\_ hereinafter referred to as the “*Resident*” and United Church Homes and Services, a not-for-profit Corporation chartered by the State of North Carolina, hereinafter referred to as the “*Corporation*.” The Corporation is chartered to carry on ministry among aging persons within the bounds of the Southern Conference of the United Church of Christ. This Residency Agreement is made between the Corporation and the Resident for occupancy of a \_\_\_\_\_ numbered \_\_\_\_\_, hereinafter referred to as the “*Residential Living Unit*,” located at Abernethy Laurels, hereinafter referred to as the “*Community*.” This Residency Agreement is made binding with payment by the Resident a Residency Fee in the amount of \$\_\_\_\_\_, and a Monthly Support Service Fee.
- (b) Cancellation Prior to Occupancy Due to Death, Illness, or Incapacity.  
If this Residency Agreement is entered into prior to occupancy of the Residential Living Unit and the Resident dies before occupying the Residential Living Unit, or if, on account of illness, injury, or incapacity, the Resident would be precluded from occupying the Residential Living Unit, this Residency Agreement is automatically cancelled and the Resident or legal representative of the Resident shall receive a refund of all money or property transferred to the Corporation:
- (i) less any nonstandard costs specifically incurred by the Corporation at the request of the Resident, and
  - (ii) any refund due the Resident for cancellation of this Residency Agreement under these circumstances will be made within forty-five (45) days after receipt by the Corporation of a written notice of the Resident’s death, illness or incapacity.
- (c) Cancellation by the Resident Within Thirty (30) Days of Contract Execution.  
Notwithstanding any other provision of this Residency Agreement, the Resident may rescind this Residency Agreement within thirty (30) days following the execution of this Residency Agreement (or the receipt of a disclosure statement, if later) in which event any money paid will be refunded in full, other than:
- (i) the Monthly Support Service Fee applicable to the period a Residential Living Unit was occupied by the Resident;
  - (ii) any damage caused to the Residential Living Unit during occupancy or in moving;

Resident Initials: \_\_\_\_\_

- (iii) any nonstandard costs specifically incurred by the Corporation at the request of the Resident; and
- (iv) any refund due the Resident under this thirty (30) day provision will be made within forty-five (45) days after receipt by the Corporation of a written notice of cancellation from the Resident. The Resident is not required to move into the Residential Living Unit before the expiration of this thirty (30) day period.

(d) Cancellation by the Resident Between the Thirtieth (30<sup>th</sup>) and Ninetieth (90<sup>th</sup>) Day of Occupancy.

During the first ninety (90) days of occupancy, the Resident will have the right to terminate this Residency Agreement by serving the Corporation with written notice of such termination. During the ninety (90) day period, the Corporation also has the right to terminate this Residency Agreement based on its judgment regarding the Resident's ability to adjust to this lifestyle. Any money paid will be refunded in full, other than:

- (i) the Monthly Support Service Fee applicable to the period the Residential Living Unit was occupied by the Resident;
- (ii) a ten percent (10%) reduction in the initial Residency Fee paid;
- (iii) cost for repair of any damage caused to the Residential Living Unit during occupancy or in moving;
- (iv) any nonstandard costs specifically incurred by the Corporation at the request of the Resident; and
- (v) any refund due the Resident for termination during this period will be made within thirty (30) days after the Residential Living Unit is vacated.

(e) Cancellation by the Resident After Ninety (90) Days of Occupancy.

After the ninety (90) day period, this Residency Agreement may be terminated by the Resident at any time by serving the Corporation a sixty (60) day advance written notice of such termination. For termination by the Resident under this paragraph (e), the Resident's rights to a refund and the account of any such refund, will be described in Section 3 of this Residency Agreement, below.

(f) Terminations by the Corporation.

The Corporation may terminate this Residency Agreement at any time if:

- (i) there has been any material misrepresentation or omission made by the Resident on the Application Form;
- (ii) if there is misconduct on the part of the Resident that threatens the well-being of the Resident, that of the Resident's neighbors, or employees of the Corporation.

Resident Initials: \_\_\_\_\_



(g) Responsibilities of the Resident Upon Cancellation or Termination.

At the effective date of termination of this Residency Agreement, the Resident shall vacate the Residential Living Unit, and shall leave it in good condition except for reasonable wear and tear. Damage due to smoking or having household pets, if approved, will not be considered as reasonable wear and tear. The Resident shall be responsible to the Corporation for any costs incurred in restoring the Residential Living Unit to good condition and repair any damage beyond reasonable wear and tear.

(h) Joint Occupancy of Residential Living Unit.

If another individual ("Other Resident") signs a separate Residency Agreement to share occupancy of the same Residential Living Unit with the Resident, in the event of the death of the Other Resident, or the removal of the Other Resident from the Residential Living Unit on a permanent basis for any reason, the remaining Resident will continue to enjoy all rights, privileges, and obligations of this Residency Agreement. Any refund of the Residency Fee due under either of said Residency Agreements will not be computed until the termination of both Residency Agreements due to death or otherwise, and any refund due under either Residency Agreement will be paid to the Resident or Other Resident who is the last to terminate their Residency Agreement within the time period described in paragraph 3(g) of this Residency Agreement.

(i) Effect of Termination.

Upon termination of this Residency Agreement and upon complying with the provisions of this Residency Agreement, the Corporation shall have no further obligation to the Resident or their heirs, executors, administrators, or assigns.

**2. Changes In Occupancy**

(a) Should the Resident choose to marry and the new spouse is not a resident of the Community, the spouse will be required to submit an application for admission. The spouse would complete the regular admission process including the payment of all fees, which may include but not be limited to the upgraded and readjusted Residency Fee and Monthly Support Service Fee. If denied, the couple will then have sixty (60) days to make other living arrangements. If the couple must make other living arrangements, any monies to be returned will be paid to the individual who was a contracted resident of the Community. This refund will be paid within thirty (30) days after the date that the last Residential Living Unit to have been occupied by the Resident has been vacated and made available for remarketing.

(b) Should the Resident choose to marry another resident and the two choose to occupy a single Residential Living Unit, any fees to be returned to the person vacating their Residential Living Unit will be set aside and held by the Corporation for use by that Resident to pay for necessary healthcare expenses should that Resident need nursing care.

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- (c) After the Resident has occupied a Residential Living Unit, should the Resident desire to have another individual move in with them (including a new spouse), the new individual shall complete the normal admission process including the payment of all fees. If the application for admission is approved, either the original Residency Agreement shall be amended or new Residency Agreements shall be executed which specify the new rates and terms established by the Corporation.
- (d) Should a couple occupying a Residential Living Unit choose to no longer share a single living unit, one of the Residents may remain in the occupied unit with that Resident becoming solely entitled to any refund which may be later due under the Residency Agreement, and that Resident will continue to enjoy all rights, privileges and obligations of said Residency Agreement. A separate and new Residency Agreement must be executed for the Other Resident moving out of the Residential Living Unit and into another Residential Living Unit. Should the Other Resident vacating the Residential Living Unit choose to leave the Community and find other living opportunities, the Other Resident is not entitled to any refund and the Corporation shall have no further obligations to the Other Resident or their heirs, executors, administrators, or assigns.

### 3. Residency

- (a) The Corporation agrees the Resident may occupy the Residential Living Unit described above, subject to the conditions of this Residency Agreement.
- (b) Upon termination of this Residency Agreement by either party, or upon the death of the Resident, after a new Residency Agreement has been executed by another party for the last Residential Living Unit to have been occupied by the Resident, and all fees due have been paid in full, the Resident or the Resident's estate will be entitled to a refund of the Residency Fee as described in this Section 3. The amount of the refund shall be based upon the length of time that has elapsed from the date the Residency Agreement was signed to the effective date of termination as follows:
  - (i) Refunds of Residency Fee for termination of this Residency Agreement within the first thirty (30) days of occupancy are covered by Section 1(c) of this Residency Agreement.
  - (ii) Refunds of the Residency Fee for termination of this Residency Agreement between the thirtieth (30<sup>th</sup>) and ninetieth (90<sup>th</sup>) day of occupancy are covered by Section 1(d) of this Residency Agreement.
  - (iii) In cases of termination of this Residency Agreement occurring between the ninetieth (90<sup>th</sup>) day of occupancy and the thirty-sixth (36<sup>th</sup>) month of occupancy, the Resident will be entitled to a refund of Residency Fees less 2.73% per month of occupancy through month thirty-six (36).

Resident Initials: \_\_\_\_\_

- (iv) In cases of termination of this Residency Agreement occurring after the thirty-sixth (36<sup>th</sup>) month of occupancy, the Resident will not be entitled to any refund of the Residency Fee.
- (v) During the life of the Resident at the Community, the refund shall not be assigned to another party without an amendment to the Residency Agreement executed by the Resident and the Corporation.
- (c) If the Resident, because of changes in circumstances, chooses to move into a different Residential Living Unit where a lesser Residency Fee is required, the Resident may do so but without a refund. If the Resident should choose to move into a different Residential Living Unit where a larger Residency Fee is required, the Resident will pay the difference between the Residency Fee and additional fees based on the amount the Resident paid upon admission and the current Residency Fee for the new Residential Living Unit to be occupied.
- (d) If the Resident occupies the Residential Living Unit for less than ninety (90) days and then moves into the Health Center, the Corporation will retain ten percent (10%) of the Residency Fee. The remainder of the Residency Fee will be set aside for use by the Resident for healthcare expenses.
- (e) If the Resident should move into the Health Center and vacate the Residential Living Unit, regardless of the length of residence in the Residential Living Unit, this Residency Agreement will remain in effect.
- (f) If two persons sign a Residency Agreement for the same Residential Living Unit and one of them should need to move into the Health Center on a permanent basis, the Resident remaining in the Residential Living Unit will continue to enjoy all the rights, privileges, and obligations of this Residency Agreement. The prevailing cost of healthcare for the person moving into the Health Center shall be paid from that person's available assets including assets transferred by the Resident to a revocable trust or to any trust in which the Resident is a beneficiary. The person remaining in the Residential Living Unit becomes solely entitled to any refund of the Residency Fee that may later be due under this Residency Agreement.
- (g) After the first ninety (90) days of occupancy of the Residential Living Unit, any refund due the Resident under this Residency Agreement will be made only when the last Residential Living Unit to have been occupied by the Resident is covered by a new Residency Agreement with another person or persons and all new fees have been paid in full.

#### **4. Monthly Support Service Fee**

- (a) There is a monthly fee to be paid by the Resident at the beginning of each month that helps underwrite administrative/programmatic costs and a variety of support services. This fee is referred to as a Monthly Support Service Fee. This fee provides the Resident with services including the following:

Resident Initials: \_\_\_\_\_

- (i) Outside maintenance and inside routine maintenance of the Residential Living Unit as described in the Resident Handbook.
  - (ii) Twelve (12) non-cumulative nurse visits per year, if needed. (See Paragraph 7(e) for clarification.)
  - (iii) Emergency call system to Nursing Station on 24-hour basis plus night security services.
  - (iv) The option to purchase meals singly or through a monthly rate.
  - (v) Access to programs and transportation of the Community. A minimum charge will be made for certain activities and items. The Resident will be informed of all charges.
  - (vi) Access to a variety of types of support services. A minimum charge will be made for these services. The Resident will be informed of all charges.
  - (vii) Other as herein listed: \_\_\_\_\_
- (b) Additional services may be purchased by the Resident. The list of additional services, which may be purchased, and the applicable cost of each to the Resident, are provided on the Fee Schedule that is published annually and attached as an addendum to this agreement.
- (c) The current Monthly Support Service Fee is as follows: \$\_\_\_\_\_. It is understood, given a thirty (30) day advance notice, this fee will be adjusted from time-to-time by the Corporation to reflect changes in costs.
- (d) The Corporation will furnish a monthly statement to the Resident for the Monthly Support Service Fee and all chargeable items incurred by the Resident.
- (e) The Resident's Monthly Support Service Fee and charges for additional services shall be paid on or before the tenth (10th) day of each month, except that the first Monthly Support Service Fee is due on the occupancy date. Payments not received by the due date will result in an assessment of the late fee listed in the Fee Schedule that is published annually and attached as an addendum to this agreement.
- (f) If, after a period of sixty (60) days, the Resident has not paid applicable fees and charges, the Corporation may terminate this Residency Agreement.
- (g) If the Resident plans to be absent from the Residential Living Unit for an extended period, the Resident may apply for a meal credit based on the meal plan for which the Resident is entitled.
- (h) The Monthly Support Service Fee is charged as long as the Resident and/or the Resident's possessions are occupying the unit.

Resident Initials: \_\_\_\_\_

## 5. Financial Requirements

- (a) The Resident must have assets and income which will be sufficient under foreseeable circumstances to pay the financial obligations under this Agreement and to meet their ordinary living expenses. The Resident shall be required at specific times to present the Corporation with an updated confidential financial statement.
- (b) The Resident or Resident's current and/or future representatives (i.e., power of attorney, executor, etc.) will abide by any and all financial arrangements made with the Corporation for the purpose of securing the Resident's ability to pay any and all charges for residing at the Community. The Resident agrees not to make any gift or other transfer of assets for the purpose of evading the Resident's obligations under this Agreement, if such gift or transfer would render the Resident unable to meet their financial obligations under this Agreement. Gifts or transfers of assets in this manner, which result in the Resident's inability to meet the Resident's financial obligations in accordance with this Agreement, would entitle the Corporation to terminate this Agreement, and the Resident or Resident's representative, as applicable, would be liable for any unpaid amounts to the Corporation.
- (c) If requested by the Corporation, the Resident will apply for any or all federal, state, and local benefits for which the Resident may be eligible or entitled; and if requested by the Corporation, the Resident will apply any or all such benefits toward the cost of the Resident's care at the Community. These benefits may include, but would not be limited to: Medicare, prescription, and Veteran benefits.
- (d) The Corporation will carry fire and extended coverage insurance on the Residential Living Unit. The Resident will be responsible for insurance on contents and personal liability.
- (e) The Corporation will make a copy of its North Carolina Disclosure Statement available to the Resident that includes information regarding the financial status of the Corporation.
- (f) In the event it is necessary for the Corporation to take action for the purpose of enforcing this Residency Agreement or the collecting of any sums of money due under this Residency Agreement, the Corporation shall be entitled to recover routine attorney's fees, out-of-pocket expenses and court costs.
- (g) In the event that the Corporation is assessed sales or use tax on Monthly and/or Daily Fees and/or fees for other services, the Resident will be responsible for all such taxes.

## 6. Health Insurance

- (a) The Resident will maintain eligible Medicare Coverage and one supplemental insurance policy or equivalent insurance coverage, which adequately covers hospital, medical and skilled nursing deductibles and copayments required of the primary insurance plan.
- (b) If the Resident has chosen to participate in a managed care insurance program as an alternative to Medicare Part A, Medicare Part B, or other healthcare programs, and

Resident Initials: \_\_\_\_\_

supplemental insurance coverage, when healthcare services are provided at the Community, the following restrictions apply:

- (i) If the Corporation is an approved participating provider with the Resident's managed care program, the Corporation agrees to be reimbursed at the rate negotiated with the Resident's managed care program.
  - (ii) If the Corporation is not an approved participating provider with the Resident's managed care program and the Resident chooses to receive healthcare services at a managed care participating provider, then the Resident agrees that the Resident must relocate for as long as necessary for those services to be provided, and be responsible for all costs. In addition, while receiving healthcare services at the managed care participating provider, the Resident agrees that unless this Agreement is terminated, the Resident will continue to pay all fees for the Resident's living accommodation at the Community, unless the Resident's living accommodation has been surrendered to the Community.
  - (iii) If the Corporation is not a participating provider in the Resident's managed care program and a negotiated rate is not agreed upon by the Corporation, and the Resident would still like to receive healthcare services at the Community, then the Resident will be responsible for the full amount of applicable fees and any charges not paid by the Resident's insurance carrier.
- (c) Both the primary and supplemental health insurance policies must recognize the Corporation as a healthcare provider; or the Resident will assume the financial responsibility for services provided that otherwise would not be covered.
  - (d) The Resident will be responsible for ensuring that the health insurance coverage does not lapse and, upon request, will provide the Corporation with evidence of such coverage. Should the health insurance coverage lapse, the Corporation may require the Resident to reapply for suitable coverage.
  - (e) If the Resident is unable to obtain adequate new coverage, the Corporation will bill the Resident for any costs related to medical or other healthcare services that would have otherwise been covered by the health insurance coverage policy.
  - (f) The Corporation reserves the right and sole discretion to eliminate and/or change its participation in all insurance plans.

## 7. Health Needs

- (a) The Resident will provide the Community with appropriate medical records thirty (30) days prior to occupancy and will, within sixty (60) days after taking occupancy, have a medical examination by a private physician or the Community's Medical Director. In matters of health, the Community's Medical Director will recommend to the administrative staff continued occupancy of a suitable Residential Living Unit. The administrative staff would make a final decision on occupancy of said Residential Living Unit after

Resident Initials: \_\_\_\_\_

consultation with the Resident, the Resident's physician, and/or the Resident's Power-of-Attorney/Resident Representative.

- (b) When the Resident's health condition changes, an assessment team is assigned to evaluate the Resident utilizing the Corporation's Level of Living Guidelines, a copy of which is available to all residents. A formal appeal process is available to the Resident if the assessment team recommends changes to the Resident's living accommodations and/or level of living status with which the Resident disagrees.
- (c) If at any time the Medical Director, in consultation with the administrative staff, determines the Resident is no longer able to function in a Residential Living Unit or needs care beyond the scope of the Corporation, the Resident will abide by that decision.
- (d) If the Resident becomes unable to care for their business and financial affairs, the Corporation reserves the right, because of its financial and moral involvement, to institute action for the determination of the Resident's competence and, if necessary, facilitate the appointment of a guardian to fulfill the terms of this Residency Agreement; unless such needed arrangements have already been made.
- (e) The Resident is provided with twelve (12) nurse visits per year as part of the Monthly Support Service Fee. Nurse visits are non-cumulative. The administrative staff, in consultation with the Resident's physician, shall determine the need for such routine services. A routine charge will be made to the Resident for nurse visits in excess of twelve (12) visits per year.
- (f) If the Resident should need Adult Care Services or Nursing Services, such services will be made available by the Corporation at rates current at such time as said services are needed and according to available space.

## **8. Resident Obligations**

- (a) The Resident will make provisions in a Last Will and Testament thirty (30) days prior to occupancy for the final disposition of all furniture and possessions located at the Community, for burial and payment of funeral expenses, and for the appointment of an executor, provided the Resident does not already have a Will that would accomplish these purposes. The Resident agrees to complete an instruction form that will contain pertinent data related to the above matters and will keep this recorded information current while in residency. It is the responsibility of the Resident to deliver this up-to-date information to the Administrative Office.
- (b) The Resident shall, within thirty (30) days prior to occupancy, legally designate a person as Power-of-Attorney/Resident Representative. The name, address, and telephone number of this person, along with a copy of the documentation of this designation, will be filed with the Corporation.

Resident Initials: \_\_\_\_\_

- (c) The rights and privileges of the Resident under this Residency Agreement to living accommodations, facilities, and services are personal to the Resident and cannot be transferred or assigned by act of the Resident, or by any proceedings at law, or otherwise.
- (d) The Resident agrees to reimburse the Corporation for any loss or damage suffered by the Corporation resulting from their misconduct, negligence or any damage beyond normal wear and tear.
- (e) The Resident will maintain their living accommodations in a clean, safe, and orderly condition.
- (f) The Resident shall assist the Corporation in application for and utilization of all appropriate support funds to which the Resident may be entitled and agrees to execute reasonable and necessary documents for this purpose.
- (g) The Resident agrees to follow and abide by administrative policies that are designed for the comfort, safety, and security of all Residents. The Resident will be furnished a copy of the current Resident Handbook. The Resident Handbook includes administrative policies and procedures that are part of this Residency Agreement by reference and will be amended by the Corporation from time to time.
- (h) Rights of the Resident under this Residency Agreement are the rights and privileges herein expressly granted and do not include any proprietary interest in the properties or assets of the Corporation or any membership in the Corporation.
- (i) The Corporation shall not be responsible for the loss of any property belonging to the Resident due to theft, mysterious disappearance, fire or any other cause, it being understood that the Resident will have the responsibility of providing any desired insurance protection covering any such loss. Ten (10) days after the death of the Resident or termination of this Residency Agreement, the Corporation shall have the right to remove all property from the Resident's Residential Living Unit and to store and charge for the storage of such property, if the Resident or the Resident's estate has not disposed of same.
- (j) The Corporation assumes no responsibility for any injury or illness resulting from misconduct or negligence of or by the Resident.
- (k) The Corporation shall not be liable or responsible for any expenses incurred or obligations of any nature contracted by the Resident.

## 9. Financial Assistance

- (a) In connection with its charitable mission, the United Church Homes and Services Foundation, hereinafter referred to as the "*Foundation*" was established to help fulfill the Corporation's desire that a Resident would not need to leave the Community solely due to the lack of funds. Any disposition of the Resident's assets in any way other than for care and services at the Community or related living/medical expenses to the extent that

Resident Initials: \_\_\_\_\_



Resident cannot adequately provide for the Resident's expenses or care, will disqualify the Resident for financial assistance from the Foundation and entitle the Corporation to terminate the Resident's right to reside at the Community.

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

In the event that the Foundation may subsidize in whole or in part the fees and charges payable by the Resident hereunder, the Resident will be required to execute a separate Financial (Benevolence) Assistance Agreement with the Foundation.

In the event that the Foundation continues to provide the services to the Resident under the terms of said Financial (Benevolence) Assistance Agreement despite the Resident's financial inability to continue to pay the fees or charges payable under the terms of this Agreement, the Corporation shall be entitled to require the Resident to move to a smaller or less costly living accommodation.

Any determination by the Foundation with regard to the granting or continuation of financial assistance shall be within the sole discretion of the Foundation, under a separate agreement.

- (b) When a Resident leaves the Community either through death or relocation, if said Resident's fees have been subsidized wholly or partly by the Foundation, the Resident or Resident's estate, if any, will be liable to the Foundation for the full amount of the subsidy the Resident received for the entire time of residency. This provision will apply whether or not the Resident is residing at the Community at the time of death. This Agreement will operate as a lifetime assignment, transfer and conveyance to the Foundation of the amount of the Resident's property that is necessary to cover such liability. Any amount due the Foundation under this provision may be deducted from any refund payable by the Corporation to the Resident or to the Resident's estate, with said funds to be used to reimburse the Foundation.
- (c) The Foundation has established funds which will be used to assist Residents who would otherwise not be able to live at the Community. These funds may be used for the purpose of providing financial assistance, but no Resident shall have any claim to or expectation of receiving or continuing to receive any such assistance.
- (d) The resources of the Foundation to provide financial assistance are limited, and the Corporation reserves the right to terminate the residency of any Resident who cannot pay the full cost of Corporation's fees and charges, and other costs in connection with such Resident's stay at the Community.

**10. Residency Agreement Concerns**

- (a) This Residency Agreement constitutes the entire Contract by and between the Corporation and the Resident. The Corporation is not liable in any manner by any statements, representations, or promises made by persons representing or purporting to represent the Corporation, unless such statements, representations, or promises are set forth in this Residency Agreement or in a subsequent Residency Agreement signed by the parties.
- (b) Notwithstanding any other provisions of this Residency Agreement, the Corporation shall have the right to alter the living accommodations of the Resident to meet the requirement of law, or regulation of the Fire Department, Department of Public Health, or other duly constituted authorities or agencies.
- (c) Except as set forth herein, this Residency Agreement shall bind and inure to the benefit of the successors and assigns of the Corporation and the heirs, executors, and administrators, and assigns of the Resident.

**11. Other Considerations**

- (a) This Residency Agreement supersedes any previous agreements between said parties.
- (b) The Resident has been given, as an Addendum to this Residency Agreement, a current copy of the Resident Handbook. The Resident understands that these documents will change from time to time but that they are the procedural documents for those occupying Residential Living Units at the Community.
- (c) The Resident shall not transfer or voluntarily reduce substantially their assets, as related on their application for occupancy of a Residential Living Unit at United Church Homes and Services, without notification to the Corporation.
- (d) Should the Resident become financially unable to pay the Monthly Support Service Fee, the per diem Health Center Fee, or any other fees charged by the Center, the administrative staff of the Corporation will assist the Resident in applying for funds needed to meet the charges for care.
- (e) The Resident shall apply for any and all federal, state, and local grants and benefits for which the Resident may be entitled or eligible, and to apply any and all such grants and benefits toward the cost of the Resident's care at the Center. The Resident's failure to do so will result in termination of this Residency Agreement by the Corporation and release of its obligations hereunder.
- (f) All items in the aforementioned Residency Agreement are binding as of the date signed.

Resident Initials: \_\_\_\_\_

The undersigned representative of United Church Homes and Services and the undersigned Resident do hereby certify that on this date a current Disclosure Statement dated \_\_\_\_\_ and a current copy of the Resident Handbook have been presented to the Resident(s) and that the Monthly Support Service Fee has been explained to the Resident(s). Prior to execution of this Residency Agreement, the Resident(s) had opportunity to obtain the assistance of counsel in reviewing its terms.

The parties hereby execute this Residency Agreement:

**United Church Homes and Services**

\_\_\_\_\_ By: \_\_\_\_\_  
Date Authorized Community Representative/Title

\_\_\_\_\_ By: \_\_\_\_\_  
Date Resident

## **Exhibit 4: Articles of Incorporation**

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**ARTICLES OF INCORPORATION**  
**OF**  
**UNITED CHURCH HOMES AND SERVICES**  
A Non-Profit Organization

**I**

The name of the Corporation is **UNITED CHURCH HOMES AND SERVICES**

**II**

The period of duration of the Corporation shall be perpetual.

**III**

The purposes for which the Corporation is organized are:

- A. To conduct and manage a Retirement Community or communities for aging members of the Southern Conference of the United Church of Christ and for such other persons as may be admitted from time to time in accordance with the rules and regulations adopted by the Board of Directors of the Corporation;
- B. to establish and carry on a program of care in each designated operating unit that is designed to minister to the “whole person”, thereby meeting his or her physical, social, spiritual, educational, religious and economic needs;
- C. to establish and carry on a program of charity in which the Corporation will be enabled to reach out and provide its services to needy and deserving members of the Conference Community who would not otherwise be able to afford the same;
- D. to establish, build, and operate several facilities across the geographical boundaries of the Southern Conference of the United Church of Christ, ministering to the needs of the aging population of that area but at all times, however, keeping in mind the necessity of providing a continuum of care in each such area of residential, custodial, and nursing services;
- E. in connection with the purposes set forth hereinabove and in order to carry them out, to receive and acquire by gift, bequest, or otherwise, and to hold real and personal property, to lease and sell its holdings, to make investment of its funds, to borrow money, secured by mortgage on its properties or otherwise, to accept gifts and bequests, and to apply the principal and interest as may be directed by the donor or as the Board of Directors may determine in the absence of such direction; and
- F. to take such other steps as the Board of Directors deems requisite and necessary to carry out such of its general purposes as are permitted by law to non-profit corporations and to have all other powers with which such corporations are normally endowed.

#### **IV**

The Corporation shall have no members.

#### **V**

The control and operation of the Corporation shall be vested in a Board of Directors consisting of no more than twenty-six (26) members, who shall be elected in the manner and for the terms as provided in the Bylaws of the Corporation.

#### **VI**

No part of the income of the Corporation or no part of the property or assets of the Corporation upon dissolution or liquidation shall ever inure to the benefit of any of the Board of Directors. Upon the dissolution or liquidation of the Corporation, all of the property and assets, after the payment of claims and liabilities, shall belong to and be the property of the Southern Conference of the United Church of Christ, or its successors.

#### **VII**

The Board of Directors shall have the general management of the affairs of the Corporation and may, from time to time, delegate these duties to committees or individuals, as it may see fit.

#### **VIII**

The Board of Directors shall adopt Bylaws not inconsistent with the Articles of Incorporation of the Corporation, and such Bylaws may be amended at any time upon such notice as may be required by the Bylaws or the General Statutes of North Carolina by the Board of Directors by a two-thirds majority of its members present and voting.

#### **IX**

These Articles of Incorporation may be amended by the affirmative vote of two-thirds majority of the members of the Board of Directors voting at either an Annual Meeting or at a special meeting called for such purpose, provided, however, that a written notice of the proposed resolution to amend such Articles shall be given to each member at least ten (10) days prior to any such meeting.

#### **X**

Notwithstanding any other provisions of these Articles of Incorporation or the General Statutes of the State of North Carolina, no director, officer, employee, or representative of this Corporation shall take any action or carry on any activity by or on behalf of the Corporation which is not permitted to be taken or carried on by an organization exempt under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and its Regulations as they now exist or as they may be hereafter amended, or by an organization, contributions to which are deductible under Section 170(c)(2) of such code and regulations as they now exist or as they may hereafter be amended.

**XI**

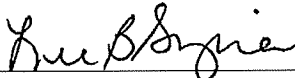
The address of the registered office of the Corporation is as follows: 100 Leonard Avenue, Newton, Catawba County, North Carolina 28658. The name of the registered agent at the above address is Lee B. Syria. From time to time, changes in the registered agent and/or registered office may be determined by the President and CEO as necessary.

**XII**

The address of the principal office of the Corporation is as follows: 100 Leonard Avenue, Newton, Catawba County, North Carolina 28658.

IN TESTIMONY WHEREOF, the Corporation has caused this instrument to be executed in its corporate name by its President, this the 7th day of March, 2013.

UNITED CHURCH HOMES AND SERVICES

By:   
Lee B. Syria, President and CEO

**Exhibit 5: Certified 2017-2018 Audited Financial Statement**

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For the Period Ending September 30, 2018



UNITED CHURCH HOMES AND  
SERVICES AND AFFILIATES

COMBINED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018  
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2017)



**UNITED CHURCH HOMES AND SERVICES AND AFFILIATES**  
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## **Independent Auditor's Report**

To the Board of Directors  
United Church Homes and Services  
Newton, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying combined financial statements of United Church Homes and Services and Affiliates (the Organization), which comprise the combined statement of financial position as of September 30, 2018, and the related combined statements of operations and changes in net assets, and cash flows for the year then ended and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit 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 combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the combined 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 Organization'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 combined financial statements.

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

### ***Opinion***

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of United Church Homes and Services and Affiliates as of September 30, 2018, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited United Church Homes and Services and Affiliates' 2017 combined financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 7, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
December 17, 2018

**UNITED CHURCH HOMES AND SERVICES AND AFFILIATES**  
**Combined Statement of Financial Position**  
**September 30, 2018 (With Comparative Totals for September 30, 2017)**

	<u>2018</u>	<u>2017</u>
<b><u>Assets</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 5,375,720	\$ 6,111,890
Accounts receivable, net of allowance for doubtful accounts	2,899,923	3,166,319
Other receivables, net of allowance for doubtful accounts	2,122,619	778,739
Current assets limited as to use	433,126	-
Due from related parties, current	305,146	314,516
Other current assets	735,363	509,283
Total current assets	<u>11,871,897</u>	<u>10,880,747</u>
Due from related parties, less current portion	227,524	227,524
Assets limited as to use	78,796,562	63,269,632
Other non-current assets	372,028	289,008
Property and equipment, net	<u>82,407,173</u>	<u>76,356,755</u>
	<u>161,803,287</u>	<u>140,142,919</u>
 Total assets	 <u>\$ 173,675,184</u>	 <u>\$ 151,023,666</u>
<b><u>Liabilities and Net Assets</u></b>		
Current Liabilities:		
Current portion of long-term debt	\$ 1,780,000	\$ 2,155,000
Current portion of capital leases	89,965	109,859
Accounts payable	6,268,493	7,956,760
Accrued salaries and related benefits	3,595,961	3,604,655
Other current payables	2,317,535	2,619,059
Total current liabilities	<u>14,051,954</u>	<u>16,445,333</u>
Long-Term Liabilities:		
Long-term debt, less current portion	92,196,236	69,474,332
Capital leases, less current portion	138,437	162,599
Long-term refunds payable	11,582,733	12,027,086
Deferred revenue from advance fees	34,031,191	33,425,693
	<u>137,948,597</u>	<u>115,089,710</u>
 Total liabilities	 <u>152,000,551</u>	 <u>131,535,043</u>
Net Assets:		
Without donor restrictions	13,783,836	12,623,252
With donor restrictions	7,890,797	6,865,371
Total net assets	<u>21,674,633</u>	<u>19,488,623</u>
 Total liabilities and net assets	 <u>\$ 173,675,184</u>	 <u>\$ 151,023,666</u>

*See Notes to Combined Financial Statements*

**UNITED CHURCH HOMES AND SERVICES AND AFFILIATES**  
**Combined Statement of Operations and Changes in Net Assets**  
**Year Ended September 30, 2018 (With Comparative Totals for Year Ended September 30, 2017)**

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Health care	\$ 25,353,530	\$ 24,310,122
Pavilion/assisted living	4,377,466	4,498,998
Residential living	12,375,304	11,846,567
Amortization of advance fees	5,148,903	5,635,314
Home care	2,268,209	2,378,486
PACE income	16,474,947	16,492,100
Management fee income	156,577	147,826
Outside services	76,583	54,197
Other operating revenue	974,853	988,660
Total operating revenues	<u>67,206,372</u>	<u>66,352,270</u>
Operating expenses:		
Health services:		
Health care	12,774,222	12,419,977
Medical records	148,368	122,290
Personnel and employee benefits	7,728,506	7,415,090
Laundry	264,449	274,501
Social services	289,161	288,188
Activities	333,758	309,241
Spiritual life	171,659	154,702
Housekeeping	1,055,689	973,438
Plant maintenance	5,264,627	4,984,554
Residential living	418,282	460,519
Pavilion/assisted living	1,452,862	1,403,353
Clinic	89,496	94,735
Resident services	255,415	260,831
Transportation	200,329	152,709
Dietary	4,487,915	4,389,620
Wellness center	135,425	129,270
Beauty shop	105,497	120,597
Day care	241,811	249,587
Home care	1,992,156	1,909,160
PACE expenses (including depreciation of \$182,588)	14,796,472	14,851,164
Outside services	73,325	48,702
General and administrative:		
Administrative	4,583,033	4,458,472
Marketing	1,171,973	1,034,446
Staff development	130,203	96,086
Depreciation	6,487,319	5,387,994
Real estate taxes	411,030	410,314
Interest expense (including amortization of \$1,011,197)	4,104,776	2,414,993

*See Notes to Combined Financial Statements*

**UNITED CHURCH HOMES AND SERVICES AND AFFILIATES**  
**Combined Statement of Operations and Changes in Net Assets (Continued)**  
**Year Ended September 30, 2018 (With Comparative Totals for Year Ended September 30, 2017)**

	<u>2018</u>	<u>2017</u>
Operating expenses (Continued):		
General and administrative (Continued):		
Insurance	\$ 711,301	\$ 686,432
Bad debts	519,561	524,750
Other operating expenses	322,780	387,622
Total operating expenses	<u>70,721,400</u>	<u>66,413,337</u>
Operating loss	<u>(3,515,028)</u>	<u>(61,067)</u>
Nonoperating income (loss):		
Contributions and grants	115,472	217,094
Contribution expense	(260,749)	(180,057)
Investment return, net	3,406,948	5,802,273
Gain on sale of property and equipment	888	-
Other nonoperating income (expense)	42,178	(62,639)
Net assets released from restrictions	1,370,875	322,863
Net nonoperating income	<u>4,675,612</u>	<u>6,099,534</u>
Change in net assets without donor restrictions	<u>1,160,584</u>	<u>6,038,467</u>
Net assets with donor restrictions:		
Contributions	2,495,989	679,236
Change in value of gift annuities	(99,688)	2,160
Net assets released from restrictions	(1,370,875)	(322,863)
Change in net assets with donor restrictions	<u>1,025,426</u>	<u>358,533</u>
Change in net assets	2,186,010	6,397,000
Net assets, beginning	<u>19,488,623</u>	<u>13,091,623</u>
Net assets, ending	<u>\$ 21,674,633</u>	<u>\$ 19,488,623</u>

**UNITED CHURCH HOMES AND SERVICES AND AFFILIATES**

**Combined Statement of Cash Flows**

**Year Ended September 30, 2018 (With Comparative Totals for Year Ended September 30, 2017)**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,186,010	\$ 6,397,000
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(3,403,888)	(5,802,273)
Gain on disposal of fixed assets	1,614	-
Change in allowance for doubtful accounts	(63,152)	6,927
Depreciation	6,669,907	5,598,786
Amortization of deferred issue costs	817,702	200,565
Amortization of bond (premium) discount, net	(63,787)	(114,105)
Amortization of advance fees	(5,150,108)	(5,635,314)
Advance fees received	7,795,670	6,304,812
Advance fees and deposits received on newly constructed units	-	281,857
Change in value of gift annuities	115,460	21,878
(Increase) decrease in:		
Accounts receivable	329,548	640,557
Other receivables	(1,343,880)	47,632
Other current assets	(309,100)	63,137
Increase (decrease) in:		
Accounts payable	497,786	1,979,409
Accrued salaries and related benefits	(8,694)	497,153
Other current payables	(194,180)	(386,736)
Net cash provided by operating activities	<u>7,876,908</u>	<u>10,101,285</u>
Cash flows from investing activities:		
Change in assets limited as to use	(12,671,628)	1,395,863
Purchases of property and equipment	(14,838,853)	(16,995,625)
Proceeds from the sale of property and equipment	800	-
Repayments from (payments to) related parties, net	9,370	(46,155)
Net cash used in investing activities	<u>(27,500,311)</u>	<u>(15,645,917)</u>
Cash flows from financing activities:		
Advanced fees refunds	(2,591,761)	(1,798,424)
Borrowings from long-term debt	23,403,056	14,460,332
Principal payments on long-term debt and capital leases	(2,563,995)	(4,304,298)
Deferred issue costs paid	(1,016,003)	(506,197)
Premium received on bonds issued	1,655,936	1,974,931
Net cash provided by financing activities	<u>18,887,233</u>	<u>9,826,344</u>
Net increase (decrease) in cash and cash equivalents	(736,170)	4,281,712
Cash and cash equivalents, beginning	<u>6,111,890</u>	<u>1,830,178</u>
Cash and cash equivalents, ending	<u>\$ 5,375,720</u>	<u>\$ 6,111,890</u>
Supplemental disclosures of cash flow information:		
Cash payments for interest, including capitalized interest and related costs of \$572,073.	<u>\$ 3,790,874</u>	<u>\$ 2,684,699</u>
Supplemental disclosures of noncash investing and financing activities:		
Acquisition of property and equipment financed by capital lease obligation	<u>\$ 69,939</u>	<u>\$ 68,451</u>
Acquisition of property and equipment through incurrence of accounts payable	<u>\$ 24,130</u>	<u>\$ 2,210,183</u>

*See Notes to Combined Financial Statements*



**UNITED CHURCH HOMES AND SERVICES AND AFFILIATES**  
**Notes to Combined Financial Statements**

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**NOTE 1 - NATURE OF BUSINESS**

United Church Homes and Services ("UCHS") is a not-for-profit organization that owns and operates continuing care retirement communities in Newton ("Abernethy Laurels") and Thomasville ("Piedmont Crossing"), North Carolina, consisting of residential living units, assisted living units and nursing facilities providing adult care and intermediate and skilled nursing care. UCHS was incorporated in North Carolina in 1961. UCHS's corporate office is located in Newton, North Carolina.

Lake Prince Center, Inc. ("Lake Prince") is a not-for-profit continuing care retirement community in Suffolk, Virginia. The facility consists of independent living units and nursing facilities providing adult care and intermediate and skilled nursing care for Lake Prince residents. Lake Prince was incorporated under the laws of North Carolina in July 1999 and has obtained a certificate to transact business in Virginia where the facility is located.

Lake Prince at Home, LLC, was incorporated on October 16, 2017 and is a wholly owned subsidiary of UCHS. It will expand the services offered at Lake Prince and the surrounding market areas of Suffolk, Virginia. There was no activity in the 2018 fiscal year.

The United Church Homes and Services Foundation (the "Foundation") is a not-for-profit organization which was established to raise endowment funds for the residential facilities operated by UCHS, to support benevolent care for those residents who are unable to pay for continuing care at the residential facilities operated by UCHS. The Foundation was incorporated under the laws of the State of North Carolina in 2000.

Carolina SeniorCare (CSC), a Program of All-inclusive Care for the Elderly (PACE), in Lexington, North Carolina, is a not-for-profit organization created in 2011 by its parent organization, United Church Homes and Services. Carolina SeniorCare serves individuals who are age 55 or older, are certified by their state to need nursing home care, able to live safely in the community at the time of enrollment, live in Davidson, Rowan, Davie, or Iredell counties and either have Medicare or Medicaid. The program is able to provide the entire continuum of care and services to seniors with chronic care needs while maintaining their independence in their homes for as long as possible. PACE funding is unique as PACE receives direct payments from Medicare and Medicaid to provide all needed services. Because of the pooled financing of PACE, programs have strong incentives to focus on wellness and prevention and to decrease the hospitalization rates for the participants and the incidence of long-term institutionalization.

UCHS, Lake Prince, Carolina SeniorCare and the Foundation are collectively referred to as the "Organization".

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Combination**

The combined financial statements include the financial statements of UCHS, Lake Prince, Carolina SeniorCare, and the Foundation. All material intercompany accounts and transactions have been eliminated in the combination.

**Comparative Financial Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2017, from which the summarized information was derived.

**UNITED CHURCH HOMES AND SERVICES AND AFFILIATES**  
**Notes to Combined Financial Statements**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Organization excludes assets limited as to use from cash and cash equivalents.

**Assets Limited as to Use**

Assets limited as to use primarily include assets held by trustees under indenture agreements and designated assets set aside by the Board of Directors for future capital improvements to the extent funds are available, over which the Board retains control and may, at its discretion, subsequently use for other purposes; and the operating reserve required by State statute.

**Investments (Included in Assets Limited as to Use)**

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included and reflected within investment return, net of non-operating income on the combined statement of operations and changes in net assets. Donated investments are stated at fair value at the date of the gift. Investment expenses and fees are \$210,975 and are netted with net realized gains on investments in the combined statement of operations and changes in net assets.

**Accounts Receivable**

The Organization records accounts receivable at the total unpaid balance less an allowance for doubtful accounts. The Organization determines past-due status based on the billing dates and does not charge interest on overdue accounts. The Organization writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to bad debt expense. The accounts receivable's allowance for doubtful accounts at year end was \$534,689.

**Property and Equipment**

Property and equipment are recorded at cost, net of accumulated depreciation. Donated property and equipment are recorded at their estimated fair value on the date of receipt. Interest costs incurred on borrowed funds during the period of construction are capitalized as a component of the cost of acquiring those assets. The Organization capitalizes property and equipment with an estimated useful life of greater than one year and a cost of more than \$5,000.

Depreciation is computed using the straight-line method based on the following estimated useful lives:

	<u>Years</u>
Land improvement	10 - 20
Buildings and improvements	30 - 40
Furniture, fixtures and equipment	5 - 15
Vehicles	5

**UNITED CHURCH HOMES AND SERVICES AND AFFILIATES**  
**Notes to Combined Financial Statements**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Property and Equipment (Continued)**

The Organization periodically assesses the value of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. For assets to be held and used, impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. For assets to be disposed of, impairment is determined to exist if the estimated net realizable value is less than the carrying amount.

The Organization reports contributions of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long these assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**Deferred Costs**

Deferred financing costs relating to the permanent financing of the facilities have been deferred and are being amortized over the life of the bonds. The annual amortization for these deferred financing costs will be approximately \$200,000 for each of the next five years.

**Resident Escrows**

If a resident should move into a health care unit and vacate a residential living unit, the amount of any refund to which the resident would be entitled is set aside and held by the Organization for use by the resident to pay for necessary health care expenses. Once a permanent move is made and the residential living unit is available for remarketing, the resident may draw against the remaining residency refund to pay health care costs. At year end, resident escrow totaled \$479,638.

In case of financial hardship, withdrawal of more than \$1,500 per month may be requested by the resident. The resident must submit financial information sufficient to prove financial need. Such withdrawals will be allowed upon approval by senior management of the Organization.

**Advance Deposits**

The Organization may collect up to 10% of the advance fees described below as a deposit on unoccupied units. Once the unit becomes occupied, these fees are transferred to deferred revenue. At year end, advance deposits totaled \$457,374.

**Deferred Revenue from Advance Fees**

Deferred revenue from advance fees represents payments made by a resident in exchange for the use and privileges of the community for life or until termination of the residency agreement. Contracts currently offered to UCHS and Lake Prince residents are a fully declining refund contract and a 50% refundable contract.

**UNITED CHURCH HOMES AND SERVICES AND AFFILIATES**  
**Notes to Combined Financial Statements**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Deferred Revenue from Advance Fees (Continued)**

The nonrefundable portion of these fees is amortized into income on a straight-line basis over the estimated remaining life, actuarially adjusted periodically, of each resident. The estimated amount of advance fees that is expected to be refunded to current residents under terms of the contracts are classified as refunds payable. Refunds are made to residents upon re-occupancy of the unit unless the resident has chosen to transfer their remaining balance into escrow as described above. Any unrecognized deferred revenue, less any related refund, at the date of termination of the contract is recorded as income in the period the termination of the contract occurs.

At year end, current portion of refunds payable was \$712,705.

**Obligation to Provide Future Services**

The Organization annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents at a discount rate of 5% and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. The Organization had no future service obligation.

**Classification of Net Assets**

The following classification of net assets is presented in the accompanying combined financial statements:

*Without donor restrictions:* All revenue not restricted by donors, unrestricted contributions designated by the board and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

*With donor restrictions:* All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in donor restricted net assets. The investment income arising from endowment funds, if any, are accounted for in accordance with donor stipulations. 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.

**Operating Reserves**

In accordance with the requirements of North Carolina General Statute 58, Article 64-33, management computes an annual operating reserve for its continuing care retirement communities licensed in North Carolina. The operating reserve must be an amount at least equal to 25% to 50% of operating expenses (net of depreciation and amortization) plus debt service, for the year ending September 30, 2018, for those facilities depending on occupancy levels of each facility.

**Changes in Net Assets Without Donor Restriction**

The combined statement of operations and changes in net assets reflect operating losses. Changes in net assets without donor restrictions that are excluded from operating loss, consistent with industry practice, include realized gains and losses on investments, changes in unrealized gains and losses on investments, investment income, income from estates, wills, trusts and bequests, and contributions.

**UNITED CHURCH HOMES AND SERVICES AND AFFILIATES**  
**Notes to Combined Financial Statements**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Income Tax Status**

The Organization consists of not-for-profit organizations exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the affiliated Foundation is exempt from income taxes pursuant to Internal Revenue Code Section 501(a).

It is the Organization's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a more-likely-than-not threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the combined financial statements. No material uncertain tax positions were identified for 2018.

**Revenue Recognition**

The Organization uses a variety of contracts that contain a number of different approaches to providing delivery of services and the fees associated with those services. The fees charged to residents generally consist of three basic components: advance fees, periodic fees and use fees. The Organization uses a combination of these fees in their contracts with residents that stipulate the amount of the advance fee for the various types of units offered by the Organization, the required periodic and use fees, including that these fees can be adjusted and the underlying circumstances and computations of such adjustments. These contracts also detail the future services that will be provided to residents, the refund policies and calculation method, if any, and the obligation of the Organization if the contract is terminated.

Advance fees are those paid by the resident as a condition of admission to the Organization for future services and use of the facilities. The advance fees may be nonrefundable or refundable to the resident or resident's estate. Periodic fees are monthly support service fees paid for service typically provided by the Organization not covered by the advance fees. Periodic fees are generally fixed with periodic modification based on increases in operating costs or other factors defined in the resident agreement. Periodic fees provide the resident with the following services: outside and inside routine maintenance of the unit; twelve non-cumulative nurse visits to the resident's unit per year; twenty-four hour emergency call and security services; option to purchase meals; access to programs and transportation; and access to support services. Use fees are charged to residents based on personal preferences or usage by the resident that are not covered by advance fees or periodic fees. Use fees could include provisions of workshops, trips, program and classes; beauty and salon services; health care services; etc.

The Organization offers two advance fee contracts: fully declining refund and 50% refund. The refundable portion of advance fees is refunded based on each resident's contract stipulation. As previously noted above, nonrefundable fees are amortized into income based on the estimated life of the resident(s), as actuarially determined, at the time of entering into the contract and are actuarially adjusted throughout the term of the contract.

Monthly support service fees cover the cost of a variety of support services and are earned at the beginning of each month for those services. Use fees cover the cost of performing certain services based on established fee schedules supplied to each resident and are earned at the time those services are performed.

**UNITED CHURCH HOMES AND SERVICES AND AFFILIATES**  
**Notes to Combined Financial Statements**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Resident Services**

Two major types of revenue are recognized in resident services as follows:

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

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

*Residential/assisted living revenue:* Residents that reside in residential and assisted living units are subject to a continuing monthly support service fee, which varies based on each resident's contract. The monthly fee can be adjusted from time to time by the Organization according to changes in costs.

**Benevolent Assistance**

The Organization has a policy of providing benevolent assistance to qualified residents who are unable to pay. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis. The normal charges for services provided are included in revenue and paid through a transfer of assets from the Benevolent Trust Fund.

**Advertising**

Advertising costs are expensed as incurred. Advertising expense was \$267,456.

**Use of Estimates**

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

**Subsequent Events**

The Organization has evaluated events and transactions for potential recognition or disclosure through December 17, 2018, which is the date the combined financial statements were available to be issued.

**UNITED CHURCH HOMES AND SERVICES AND AFFILIATES**  
**Notes to Combined Financial Statements**

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**NOTE 3 - FAIR VALUE MEASUREMENTS - ASSETS LIMITED AS TO USE**

Fair value measurement provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets limited as to use measured at fair value. There have been no changes in the methodologies used during the year.

*Common stocks, U.S. government securities and international, corporate and municipal bonds:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Money market funds, mutual funds, and closed end funds:* Valued at the net asset value of shares held by the Organization at year end.

*Charitable gift annuities:* Valued at the net present value of the anticipated residual value of the original charitable gift.

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

**UNITED CHURCH HOMES AND SERVICES AND AFFILIATES**  
**Notes to Combined Financial Statements**

NOTE 3 - FAIR VALUE MEASUREMENTS - ASSETS LIMITED AS TO USE (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets limited as to use at fair value:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 47,280,789	\$ -	\$ -	\$ 47,280,789
U.S. government and agency bonds	-	3,946,036	-	3,946,036
Municipal bonds	14,417,963	-	-	14,417,963
International bonds	1,072,876	-	-	1,072,876
Corporate bonds	-	2,506,415	-	2,506,415
Cash and money market funds	195,920	1,805,056	-	2,000,976
Charitable gift annuities	-	-	71,589	71,589
Closed end funds	-	3,427,811	-	3,427,811
Common stocks	4,464,349	40,884	-	4,505,233
Total assets at fair value	<u>\$ 67,431,897</u>	<u>\$ 11,726,202</u>	<u>\$ 71,589</u>	<u>\$ 79,229,688</u>

A reconciliation of the beginning and ending balances of the Organization's Level 3 investments is as follows:

Beginning balance	\$ 187,049
Change in value of charitable gift annuities and settlements	(115,460)
Ending balance	<u>\$ 71,589</u>

Assets limited as to use are allocated as follows:

Board designated	\$ 50,700,409
Trustee deposit accounts required by debt agreement	5,763,167
Construction funds available for draw down	8,654,795
Operating reserve for Department of Insurance	13,934,479
Beneficial interest in charitable gift annuities	71,589
Residents' funds	105,249
	<u>\$ 79,229,688</u>

The Organization's investments potentially subject it to concentrations of credit risk. The Organization maintains various types of investments that encompass many different companies with varied industrial and geographical characteristics designed to limit exposure to any one industry, company or geographical location. However, as most of the Organization's investments are traded in public markets, they are subject to general fluctuations in the market's overall performance. The Organization retains investment managers who perform periodic evaluations of the relative credit standing of the companies and financial institutions in which the Organization invests.



**UNITED CHURCH HOMES AND SERVICES AND AFFILIATES**  
**Notes to Combined Financial Statements**

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NOTE 4 - ASSETS LIQUIDITY

The following reflects the Organization's financial assets as of the combined statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the combined statement of financial position date. Amounts not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the governing board approves that action.

Financial assets, at year end	\$ 89,194,824
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:	
Restricted by donor with purpose restrictions	7,890,797
Assets limited as to use	28,529,279
Board designations: Quasi-endowment fund for long-term investing	<u>50,700,409</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,074,339</u>

The Organization is substantially supported by healthcare and residential/assisted living revenues. As part of the Organization's liquidity, management has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in various investments held in assets limited as to use as board designated quasi-endowment funds for long term investing. These funds may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Land and improvements	\$ 14,881,854
Buildings and improvements	129,055,898
Furniture, fixtures and equipment	20,923,963
Vehicles	<u>1,870,578</u>
	166,732,293
Less accumulated depreciation	<u>96,520,124</u>
	70,212,169
Construction in progress	<u>12,195,004</u>
	<u>\$ 82,407,173</u>

NOTE 6 - LINE OF CREDIT

The Organization has available a \$5,000,000 unsecured revolving line of credit due in full in June 2019. Amounts drawn against the line bear interest at the one-month LIBOR rate plus 2.50% (4.76% at year end), which is payable monthly. The outstanding amount drawn against this line is \$0.

**UNITED CHURCH HOMES AND SERVICES AND AFFILIATES**  
**Notes to Combined Financial Statements**

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NOTE 7 - LONG-TERM DEBT

Long-term debt consists of the following:

North Carolina Medical Care Commission:	
Retirement Facilities First Mortgage Revenue Refunding	
Bonds (United Church Retirement Homes), Series 2015A:	
Serial bonds due 2019 - 2020 yielding 2.75% to 3.0%	\$ 600,000
Term bonds due 2025, yielding 4.0%	1,500,000
Term bonds due 2030, yielding 4.5%	2,075,000
Term bonds due 2037, yielding 4.85 to 5.0%	17,955,000
North Carolina Medical Care Commission:	
Retirement Facilities First Mortgage Revenue Refunding	
Bonds (United Church Retirement Homes), Series 2017C:	
Serial bonds due 2021 - 2024 yielding 3.15% to 3.50%	4,385,000
Term bonds due 2041, yielding 4.24%	10,250,000
Term bonds due 2046, yielding 4.29%	15,650,000
SunTrust Bank:	
Non-Bank Qualified Loans:	
Series 2015B: Due 2019 - 2021, yielding 2.6%	2,620,000
Series 2017A: Due 2023-2047, yielding 3.25%	10,820,000
Peoples Bank:	
Non-Bank Qualified Loans:	
Series 2017B: Due 2023-2047, yielding 3.25%	9,835,000
Economic Development Authority of the City of Suffolk:	
Variable Rate Demand Residential Care Facility Revenue	
Bonds (Lake Prince Center, Inc.), Series 2016:	
Serial bonds due 2019 - 2026 yielding 2.20% to 5.05%	6,705,000
Term bonds due 2031, yielding 3.5%	11,420,000
	<u>93,815,000</u>
Plus net premium, net of accumulated amortization of \$153,840.	3,076,746
Less deferred financing cost, net of accumulated amortization of \$1,191,479	2,915,510
	<u>93,976,236</u>
Less current portion	1,780,000
Long-term portion	<u><u>\$ 92,196,236</u></u>

**UNITED CHURCH HOMES AND SERVICES AND AFFILIATES**  
**Notes to Combined Financial Statements**

NOTE 7 - LONG-TERM DEBT (Continued)

In 2015, the Organization entered into a re-financing agreement with the North Carolina Medical Care Commission, under which the Commission issued tax-exempt Series 2015A revenue bonds of \$23,180,000 and redeemed the qualified loan with SunTrust Bank ("SunTrust") due in 2019. The total amount redeemed was approximately \$22,000,000. The remaining proceeds from this offering were used to fund 2015A's debt service reserve funds.

During the 2016 fiscal year, the Organization entered into a \$31,570,000 bank loan financing with a commercial lender ("Series 2015B"). \$5,220,000 of the Series 2015B bank loan was used to retire the 2005A bonds. The remaining \$26,350,000 will be used to pay for the construction of a new health care center at the Abernethy Laurels Community.

During the 2017 fiscal year, the Organization entered into a financing agreement with the Economic Development Authority of the City of Suffolk (the "Authority"), under which the Authority issued tax-exempt Series 2016 revenue bonds of \$18,940,000. The bonds were issued to refund existing bonds for the Lake Prince Center.

During the 2018 fiscal year, the Organization entered into a re-financing agreement with the North Carolina Medical Care Commission, under which the Commission issued tax-exempt Series 2017C revenue bonds of \$30,285,000. The bonds were issued to refund the existing 2005B bonds of \$4,385,000 and the 2015B bonds for \$25,900,000.

During the 2018 fiscal year, the Organization entered into a \$10,820,000 bank loan financing with a commercial lender ("Series 2017A") and a \$9,835,000 bank loan financing with a commercial lender ("Series 2017B"). The loans will be used to pay for the construction of a new health care center at the Abernethy Laurels Community.

With the issuance of the debt, the Organization executed a Master Trust Indenture that appointed all the Organization's divisions, excluding the Foundation and Carolina SeniorCare, as members of the obligated group. Series 2015A, 2015B, 2016, 2017A, 2017B, and 2017C bonds are collateralized by a deed of trust on the land and buildings of the obligated group and the assignment of interest in use-for-life contracts for the obligated group.

The bonds are also collateralized by an assignment of the Commission and Authority's rights in the Loan Agreement to the bond trustee.

Under the terms of the bonds, the obligated group is required to maintain certain deposits with the trustee. Such deposits are included with assets limited as to use of the Organization. The Master Trust Indenture and Loan Agreements for these bonds include certain covenants and restrictions.

Scheduled principal repayments on long-term debt, excluding the discount on the bonds, for the next five years and thereafter, are summarized as follows:

<u>Fiscal Year End</u>	<u>Series 2015A</u>	<u>Series 2015B</u>	<u>Series 2016</u>	<u>Series 2017A</u>	<u>Series 2017B</u>	<u>Series 2017C</u>	<u>Total</u>
2019	\$ 300,000	\$ 1,030,000	\$ 450,000	\$ -	\$ -	\$ -	\$ 1,780,000
2020	300,000	1,025,000	615,000	-	-	-	1,940,000
2021	300,000	565,000	250,000	-	-	720,000	1,835,000
2022	300,000	-	385,000	-	-	1,165,000	1,850,000
2023	300,000	-	450,000	90,000	85,000	1,220,000	2,145,000
Thereafter	20,630,000	-	15,975,000	10,730,000	9,750,000	27,180,000	84,265,000
	<u>\$ 22,130,000</u>	<u>\$ 2,620,000</u>	<u>\$ 18,125,000</u>	<u>\$ 10,820,000</u>	<u>\$ 9,835,000</u>	<u>\$ 30,285,000</u>	<u>\$ 93,815,000</u>

**UNITED CHURCH HOMES AND SERVICES AND AFFILIATES**  
**Notes to Combined Financial Statements**

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**NOTE 8 - CAPITAL LEASES**

The Organization currently leases equipment under capital lease agreements. The asset and liability under the capital leases are recorded at the present value of the future lease payments, which approximates fair value. The asset is being amortized over the estimated useful life using the straight-line method and is included in depreciation expense.

Cost of equipment under capital leases was \$517,400 and the related accumulated depreciation was \$299,725.

Future lease payments under capital lease obligations are as follows:

<u>Years Ending</u> <u>September 30,</u>	
2019	\$ 99,311
2020	65,070
2021	45,464
2022	29,004
2023	<u>3,114</u>
	241,963
Less amount representing interest	<u>13,561</u>
Present value of future payments	<u><u>\$ 228,402</u></u>

**NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes:

Benevolent trust	\$ 4,177,438
Capital expansion	<u>3,713,359</u>
	<u><u>\$ 7,890,797</u></u>

**NOTE 10 - EMPLOYEE GROUP HEALTH PLAN**

The Organization maintains a self-insured employee group health plan. The plan is administered by a third party and individual stop-loss coverage has been obtained at \$85,000, with a maximum aggregate limit of loss that fluctuates based on enrollment. The total plan expense incurred by the Organization was \$2,641,421.

**NOTE 11 - RETIREMENT PLANS**

The Organization has a 403(b) plan that covers substantially all employees who meet eligibility requirements. The Organization contributes to the plan based on a percentage of gross wages paid. The expenses related to the plan were \$436,645.

The Organization has a nonqualified retirement plan that covers key management employees. The Organization contributes to the plan based on a percentage of the employee's salary. The Organization contributed \$302,805.

**UNITED CHURCH HOMES AND SERVICES AND AFFILIATES**  
**Notes to Combined Financial Statements**

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NOTE 11 - RETIREMENT PLANS (Continued)

The Organization also has a retirement annuity plan that covers ordained United Church of Christ ministers employed by the Organization. The Organization contributed 11% of the ministers' salary to the plan for a total of \$6,425.

NOTE 12 - PROFESSIONAL AND GENERAL LIABILITY

In the summer of 2002, the management of the Organization evaluated the best means of assuring the Organization's continued access to affordable liability and excess insurance coverage, including the possibility of obtaining such coverage from conventional and alternative insurance providers. After performing a diligent search, the Organization was not able to procure professional and general liability coverage from any insurance company licensed to do business in the state of North Carolina, and therefore, obtained liability coverage from Caring Communities Insurance Company ("CCIC"). CCIC was an insured owned insurance company incorporated in and regulated by the Superintendent of Insurance of the Cayman Islands. In addition to the Organization, CCIC was owned by and insured approximately 25 other long-term care organizations that operate across the United States. As an insurance company that is not authorized to conduct business in North Carolina, CCIC was not subject to regulation by the North Carolina Department of Insurance nor covered under the North Carolina Guaranty Association. The Organization independently procured this liability coverage pursuant to the North Carolina General Statutes, which permit persons to obtain insurance from an insurer not authorized to do business in the state of North Carolina in the event that the full amount or kind of insurance necessary to protect the risks cannot be obtained from insurance companies authorized to do business in North Carolina. The policy was renewed November 30, 2004. Effective January 1, 2006, the insurance previously written by CCIC was written by Diapason Casualty Risk Retention Group, Inc., a District of Columbia corporation ("DCRRG") regulated by the District of Columbia Department of Insurance. DCRRG was a wholly owned subsidiary of Diapason Shared Services, a District of Columbia not-for-profit corporation ("DSS"). The four members of DSS, who were also owners of CCIC, were the insurers of DCRRG. DCRRG has given intent to offer insurance in North Carolina as required by federal law. DCRRG is substantially reinsured by CCIC.

As a risk retention group DCRRG is not covered under the North Carolina Guaranty Association. Effective January 1, 2008, CCIC and DCRRG completed a corporate restructuring. As a result of the restructuring, DCRRG changed its name to Caring Communities, a reciprocal Risk Retention Group ("CCrRRG") and became a reciprocal insurer. The Organization, along with all other shareholders of CCIC, exchanged its shares of CCIC for a Charter Capital Account of CCrRRG. CCIC is now a wholly owned subsidiary of CCrRRG. Members of CCrRRG are required to pay assessed premiums and are subject to a per claim self-insurance retention. Insurance premiums under this program totaled \$518,033.

The Organization made an initial capital contribution to CCIC of \$187,855 in November of 2002 and additional capital contributions of \$72,252 on January 1, 2004, and \$28,901 on January 1, 2005. These capital contributions, totaling \$289,008, are represented by the Organization's Charter Capital Account of CCrRRG and are included in other non-current assets in its combined statement of financial position. Such contributions are accounted for using the cost method.

**UNITED CHURCH HOMES AND SERVICES AND AFFILIATES**  
**Notes to Combined Financial Statements**

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NOTE 13 - RELATED PARTIES

The following organizations are considered related parties of the Organization due to management and administrative services provided to them by the Organization:

- New Bern Older Adult Housing, Inc. ("NOAH"), a HUD 202 facility in New Bern, North Carolina.
- UCC Living Center, Inc. ("Covenant Place"), a HUD 202 project in Chapel Hill, North Carolina.
- Statesville Elderly Housing, Inc. ("Emmanuel's Place"), a HUD 202 facility in Statesville, North Carolina.
- Carolina Senior Living, Inc. a HUD 202 facility in Lexington, North Carolina.
- UDI/St. Joseph's, Inc. ("St. Joseph's Place"), a HUD 202 facility in Durham, North Carolina.
- Albemarle Older Adult Housing, Inc. ("Matthew's Place"), a HUD 202 facility in Albemarle, North Carolina.
- The Willows, a HUD 202 facility in Burlington, North Carolina.

The Organization provides management and administrative services to the above organizations. Management fee income was \$156,577.

The Organization pays salaries and employee benefit expense on behalf of its related parties, charging for expenses paid on a reimbursement basis. The Organization, as the sponsoring organization of these related parties, also advanced these entities funding for initial development costs.

The Organization was owed the following:

NOAH	\$ 165,266
Covenant Place	51,176
Emmanuel's Place	36,283
St. Joseph's Place	162,818
Carolina Senior Living	57,424
Matthew's Place	12,863
Willows	46,840
	<u>\$ 532,670</u>

NOTE 14 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation. Deposit accounts, at times, may exceed federally insured limits.

The Organization grants credit without collateral to its residents and is insured under third-party payor agreements. The mix of receivables from residents and third-party payors was as follows:

Medicare	29%
Medicaid	13%
Private and other insurances	58%
	<u>100%</u>

**UNITED CHURCH HOMES AND SERVICES AND AFFILIATES**  
**Notes to Combined Financial Statements**

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NOTE 15 - ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. This update is effective for fiscal periods beginning after December 15, 2017. Subsequently, FASB issued Accounting Standards Update 2015-14, which deferred the effective date until December 15, 2018. The purpose of this update is to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and IFRS. This update affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts fall under the scope of a different guidance. The Organization is working to determine how the adoption of this accounting standard will impact their accounting treatment of their contracted services.

In February 2016, FASB issued ASU 2016-02, *Leases*. This update is effective for fiscal periods beginning after December 15, 2019 for nonpublic entities. Under the new standard, lessees will be required to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. The standard will apply to both types of leases, capital (or finance) leases and operating leases. Previously, accounting principles generally accepted in the United States of America have required only capital leases to be recognized on lessee balance sheets. As under current accounting standards, the recognition, measurement, and presentation of expenses and cash flows arising from a lease for lessees primarily will depend on its classification as a finance or operating lease. For capital or finance leases, lessees will recognize amortization of the right-of-use asset separately from interest on the lease liability. For operating leases, lessees will recognize a single total lease expense. For both types of leases, lessees will recognize a right-of-use asset and a lease liability. Lessor accounting under the new standard will remain similar to lessor accounting under current accounting standards. The Organization has not determined the impact this pronouncement will have on their combined financial statements.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958). This update is effective for fiscal periods beginning after December 15, 2018 for entities serving as the resource recipient. Under the new standard, not-for-profit entities would analyze the characteristics of grants and similar contracts ("agreements") to determine whether the agreement should be accounted for as a contribution or an exchange transaction. If the agreement is accounted for as a contribution, the entity must determine if there are any conditions associated with the agreement to determine if the contribution can be recognized as revenue. If the agreement is accounted for as an exchange transaction, the entity must apply a specific process to determine when and how much revenue to recognize. That process would include identifying performance obligations, determining the transaction price, allocating the transaction price to the performance obligations and recognizing revenue when each performance obligation is satisfied. ASU 2018-08 also requires additional disclosures on the entity revenue recognition policy.



Bernard Robinson & Company, L.L.P.

**Independent Auditor's Report  
on the Supplementary Information**

To the Board of Directors  
United Church Homes and Services  
Newton, North Carolina

We have audited the combined financial statements of United Church Homes and Services and Affiliates as of and for the year ended September 30, 2018, and have issued our report thereon dated December 17, 2018, which contained an unmodified opinion on those combined financial statements. Our audit was performed for the purpose of forming an opinion on the combined financial statements as a whole. The combining statement of financial position, and combining statement of operations and changes in net assets without donor restrictions as of and for the year ended September 30, 2018 are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
December 17, 2018



UNITED CHURCH HOMES AND SERVICES AND AFFILIATES  
Combining Statement of Financial Position  
September 30, 2018

<u>Assets</u>	Corporate Office	Abernethy Laurels	Piedmont Crossing	UCHS Subtotal	Lake Prince Center, Inc.	Total Obligated Group	Foundation	Carolina Senior Care	Combined Total
<b>Current Assets:</b>									
Cash and cash equivalents	\$ 4,012,461	\$ 1,900	\$ 1,500	\$ 4,015,861	\$ 1,000	\$ 4,016,861	\$ 570,438	\$ 788,421	\$ 5,375,720
Accounts receivable, net	-	1,685,988	536,077	2,222,065	532,828	2,754,893	-	145,030	2,899,923
Other receivables, net	35,488	150,070	31,591	217,149	-	217,149	1,895,824	9,646	2,122,619
Current assets limited as to use	433,126	-	-	433,126	-	433,126	-	-	433,126
Due from related parties, current	305,146	-	-	305,146	-	305,146	-	-	305,146
Other current assets	337,179	132,891	104,962	575,032	84,692	659,724	1,197	74,442	735,363
<b>Total current assets</b>	<b>5,123,400</b>	<b>1,970,849</b>	<b>674,130</b>	<b>7,768,379</b>	<b>618,520</b>	<b>8,386,899</b>	<b>2,467,459</b>	<b>1,017,539</b>	<b>11,871,897</b>
Due from related parties, less current portion	227,524	-	-	227,524	-	227,524	-	-	227,524
Assets limited as to use	56,104,463	11,557,207	1,518,007	69,179,677	1,485,112	70,664,789	8,131,773	-	78,796,562
Other non-current assets	372,028	-	-	372,028	-	372,028	-	-	372,028
Property and equipment, net	2,473,446	50,565,084	12,063,589	65,102,119	16,830,160	81,932,279	-	474,894	82,407,173
<b>Total assets</b>	<b>\$ 64,300,861</b>	<b>\$ 64,093,140</b>	<b>\$ 14,255,726</b>	<b>\$ 142,649,727</b>	<b>\$ 18,933,792</b>	<b>\$ 161,583,519</b>	<b>\$ 10,599,232</b>	<b>\$ 1,492,433</b>	<b>\$ 173,675,184</b>
<b>Liabilities and Net Assets</b>									
<b>Current Liabilities:</b>									
Current portion of long-term debt	\$ -	\$ 204,000	\$ 1,126,000	\$ 1,330,000	\$ 450,000	\$ 1,780,000	\$ -	\$ -	\$ 1,780,000
Current portion of capital leases	-	-	-	-	-	-	-	89,965	89,965
Accounts payable	800,649	1,334,749	544,254	2,679,652	751,761	3,431,413	7,706	2,829,374	6,268,493
Accrued salaries and related benefits	680,661	1,130,864	939,511	2,751,036	451,399	3,202,435	33,148	360,378	3,595,961
Other current payables	101,964	994,291	462,872	1,559,127	758,408	2,317,535	-	-	2,317,535
Due to (from) affiliates	13,345,852	(16,912,462)	5,362,148	1,795,538	(3,016,517)	(1,220,979)	2,926,160	(1,705,181)	-
<b>Total current liabilities</b>	<b>14,929,126</b>	<b>(13,248,558)</b>	<b>8,434,785</b>	<b>10,115,353</b>	<b>(604,949)</b>	<b>9,510,404</b>	<b>2,967,014</b>	<b>1,574,536</b>	<b>14,051,954</b>
<b>Long-term Liabilities:</b>									
Long-term debt, less current portion	-	61,470,069	12,916,006	74,386,075	17,810,161	92,196,236	-	-	92,196,236
Capital leases, less current portion	-	-	-	-	-	-	-	138,437	138,437
Long-term refunds payable	-	4,786,219	3,239,861	8,026,080	3,556,653	11,582,733	-	-	11,582,733
Deferred revenue from advance fees	-	9,588,274	9,946,789	19,535,063	14,496,128	34,031,191	-	-	34,031,191
<b>Total liabilities</b>	<b>14,929,126</b>	<b>62,596,004</b>	<b>34,537,441</b>	<b>112,062,571</b>	<b>35,257,993</b>	<b>147,320,564</b>	<b>2,967,014</b>	<b>1,712,973</b>	<b>152,000,551</b>
<b>Net Assets:</b>									
Without donor restrictions	49,371,735	1,473,075	(20,281,715)	30,563,095	(16,324,201)	14,238,894	(234,518)	(220,540)	13,783,836
With donor restrictions	-	24,061	-	24,061	-	24,061	7,866,736	-	7,890,797
<b>Total net assets</b>	<b>49,371,735</b>	<b>1,497,136</b>	<b>(20,281,715)</b>	<b>30,587,156</b>	<b>(16,324,201)</b>	<b>14,262,955</b>	<b>7,632,218</b>	<b>(220,540)</b>	<b>21,674,633</b>
<b>Total liabilities and net assets</b>	<b>\$ 64,300,861</b>	<b>\$ 64,093,140</b>	<b>\$ 14,255,726</b>	<b>\$ 142,649,727</b>	<b>\$ 18,933,792</b>	<b>\$ 161,583,519</b>	<b>\$ 10,599,232</b>	<b>\$ 1,492,433</b>	<b>\$ 173,675,184</b>

See Independent Auditor's Report on Supplementary Information

**UNITED CHURCH HOMES AND SERVICES AND AFFILIATES**  
**Combining Statement of Operations and Changes in Net Assets Without Donor Restrictions**  
**Year Ended September 30, 2018**

	Corporate Office	Abemethy Laurels	Piedmont Crossing	UCHS Subtotal	Lake Prince Center, Inc.	Total Obligated Group	Foundation	Carolina Senior Care	Total	Combined Total
<b>Operating revenues:</b>										
Health care	\$ -	\$ 13,819,651	\$ 8,444,953	\$ 22,264,604	\$ 3,088,926	\$ 25,353,530	\$ -	\$ -	\$ 25,353,530	\$ 25,353,530
Pavilion/assisted living	-	933,046	695,209	1,628,255	2,749,211	4,377,466	-	-	4,377,466	4,377,466
Residential living	-	4,465,599	4,038,073	8,503,672	3,871,632	12,375,304	-	-	12,375,304	12,375,304
Amortization of advance fees	-	1,608,866	1,643,232	3,252,098	1,896,805	5,148,903	-	-	5,148,903	5,148,903
Home care	-	560,485	1,601,013	2,161,498	106,711	2,268,209	-	-	2,268,209	2,268,209
PACE income	-	-	-	-	-	-	-	16,474,947	16,474,947	16,474,947
Management fee income	1,186,234	-	-	1,186,234	-	1,186,234	-	(1,029,657)	156,577	156,577
Outside services	-	76,583	-	76,583	-	76,583	-	-	76,583	76,583
Other operating revenue	581,036	232,651	34,931	848,618	126,235	974,853	-	-	974,853	974,853
<b>Total operating revenues</b>	<b>1,767,270</b>	<b>21,696,881</b>	<b>16,457,411</b>	<b>39,921,562</b>	<b>11,839,520</b>	<b>51,761,082</b>	<b>-</b>	<b>15,445,290</b>	<b>67,206,372</b>	<b>67,206,372</b>
<b>Operating expenses:</b>										
<b>Health services:</b>										
Health care	-	6,578,168	4,500,961	11,079,129	1,695,093	12,774,222	-	-	12,774,222	12,774,222
Medical records	-	79,541	34,441	113,982	34,386	148,368	-	-	148,368	148,368
Personnel and employee benefits	1,065,572	2,976,199	2,584,505	6,626,276	1,027,883	7,654,159	74,347	-	7,728,506	7,728,506
Laundry	-	151,199	74,673	225,872	38,577	264,449	-	-	264,449	264,449
Social services	-	76,479	115,491	191,970	97,191	289,161	-	-	289,161	289,161
Activities	-	161,718	92,715	254,433	79,325	333,758	-	-	333,758	333,758
Spiritual life	-	57,983	56,285	114,268	57,391	171,659	-	-	171,659	171,659
Housekeeping	-	557,656	305,414	863,070	192,619	1,055,689	-	-	1,055,689	1,055,689
Plant maintenance	-	2,048,052	1,633,259	3,681,311	1,583,316	5,264,627	-	-	5,264,627	5,264,627
Staff development	-	77,268	12,664	89,932	40,271	130,203	-	-	130,203	130,203
Residential living	-	282,037	60,014	342,051	76,231	418,282	-	-	418,282	418,282
Pavilion/assisted living	-	500,914	212,900	713,814	739,048	1,452,862	-	-	1,452,862	1,452,862
Clinic	-	72,083	17,413	89,496	-	89,496	-	-	89,496	89,496
Resident services	-	52,044	106,108	158,152	97,263	255,415	-	-	255,415	255,415
Transportation	-	135,338	30,780	166,118	34,211	200,329	-	-	200,329	200,329
Dietary	-	2,074,298	1,377,070	3,451,368	1,036,547	4,487,915	-	-	4,487,915	4,487,915
Wellness center	-	135,425	-	135,425	-	135,425	-	-	135,425	135,425
Beauty shop	-	-	58,365	58,365	47,132	105,497	-	-	105,497	105,497
Day care	241,811	-	-	241,811	-	241,811	-	-	241,811	241,811
Home care	-	453,632	1,297,753	1,751,385	240,771	1,992,156	-	-	1,992,156	1,992,156
PACE expenses	-	-	-	-	-	-	-	14,796,472	14,796,472	14,796,472
Outside Services	-	73,325	-	73,325	-	73,325	-	-	73,325	73,325
<b>General and administrative:</b>										
Administrative	2,709,033	604,920	481,766	3,795,719	574,306	4,370,025	213,008	-	4,583,033	4,583,033
Marketing	-	489,148	382,630	871,778	300,195	1,171,973	-	-	1,171,973	1,171,973
Management fees	(3,226,055)	1,383,309	1,073,105	(769,641)	769,641	-	-	-	-	-
Depreciation	236,090	3,141,617	1,404,608	4,782,315	1,705,004	6,487,319	-	-	6,487,319	6,487,319
Real estate taxes	11,030	-	-	11,030	400,000	411,030	-	-	411,030	411,030
Interest expense (including amortization)	-	2,185,919	1,119,308	3,305,427	799,349	4,104,776	-	-	4,104,776	4,104,776
Insurance	50,833	307,327	212,668	571,028	140,273	711,301	-	-	711,301	711,301
Bad debts	-	480,000	27,561	507,561	12,000	519,561	-	-	519,561	519,561
Other operating expenses	56,163	112,459	90,161	258,783	47,508	306,291	13,433	3,056	322,780	322,780
<b>Total operating expense</b>	<b>1,144,477</b>	<b>25,248,258</b>	<b>17,362,818</b>	<b>43,755,553</b>	<b>11,865,531</b>	<b>55,621,084</b>	<b>300,788</b>	<b>14,799,528</b>	<b>70,721,400</b>	<b>70,721,400</b>
<b>Operating income (loss)</b>	<b>622,793</b>	<b>(3,551,377)</b>	<b>(905,407)</b>	<b>(3,833,991)</b>	<b>(26,011)</b>	<b>(3,860,002)</b>	<b>(300,788)</b>	<b>645,762</b>	<b>(3,515,028)</b>	<b>(3,515,028)</b>
<b>Nonoperating income (loss):</b>										
Contributions and grants	-	-	-	-	-	-	115,472	-	115,472	115,472
Contribution expense	(260,749)	-	-	(260,749)	-	(260,749)	-	-	(260,749)	(260,749)
Investment return, net	2,971,193	37,495	10,340	3,019,028	21,528	3,040,556	366,392	-	3,406,948	3,406,948
Gain(loss) on sale of property and equipment	500	2,500	(2,412)	588	-	588	-	300	888	888
Other nonoperating income (expense)	10,575	146,111	38,844	195,530	6,196	201,726	(159,548)	-	42,178	42,178
Net assets released from restriction	2,400	1,156,342	18,404	1,177,146	20,340	1,197,486	172,483	906	1,370,875	1,370,875
<b>Total nonoperating income</b>	<b>2,723,919</b>	<b>1,342,448</b>	<b>65,176</b>	<b>4,131,543</b>	<b>48,064</b>	<b>4,179,607</b>	<b>494,799</b>	<b>1,206</b>	<b>4,675,612</b>	<b>4,675,612</b>
<b>Change in net assets without donor restriction</b>	<b>\$ 3,346,712</b>	<b>\$ (2,208,929)</b>	<b>\$ (840,231)</b>	<b>\$ 297,552</b>	<b>\$ 22,053</b>	<b>\$ 319,605</b>	<b>\$ 194,011</b>	<b>\$ 646,968</b>	<b>\$ 1,160,584</b>	<b>\$ 1,160,584</b>

See Independent Auditor's Report on Supplementary Information

## **Exhibit 6: Interim Financial Statements**

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For the Period Ending December 31, 2018

# 1. UCHS Balance Sheet (Side By Side)

For the Period Ending December 31, 2018

	Home Office	Abernethy Laurels	Piedmont Crossing	Lake Prince Woods	Lake Prince At Home	UCHS Obligated Group	Foundation	Carolina SeniorCare	Consolidated
<b>Assets</b>									
<b>Current Assets:</b>									
Cash & Cash Equivalents	2,119,666	1,900	1,500	1,000	74,935	2,199,001	1,489,154	768,704	4,456,859
Assets Limited as to Use	433,126	0	0	0	0	433,126	0	0	433,126
Accounts Receivable	0	2,036,020	659,296	486,218	0	3,181,534	0	184,606	3,366,141
Less: Allow Doubtful Accounts	0	(280,409)	(64,500)	(60,657)	0	(405,566)	(22,811)	(115,522)	(543,899)
Other Accounts Receivable	40,900	249,772	47,035	74,871	0	412,579	689,933	14,117	1,116,629
Inventory	0	29,582	28,829	13,982	0	72,393	0	0	72,393
Due From Related Parties, Current	478,340	0	0	0	0	478,340	0	0	478,340
Prepaid Expenses	359,800	110,589	61,719	42,050	0	574,158	3,200	45,226	622,584
<b>Total Current Assets</b>	<b>3,431,832</b>	<b>2,147,454</b>	<b>733,879</b>	<b>557,465</b>	<b>74,935</b>	<b>6,945,565</b>	<b>2,159,476</b>	<b>897,131</b>	<b>10,002,173</b>
<b>Non-Current Assets:</b>									
Board Designated	37,592,406	0	0	0	0	37,592,406	7,618,876	0	45,211,282
Investments	71,589	0	0	0	0	71,589	0	0	71,589
Operating Reserve	13,934,479	0	0	0	0	13,934,479	0	0	13,934,479
Escrow Deposits	0	0	0	37,269	0	37,269	0	0	37,269
Resident Funds	0	91,979	10,937	2,333	0	105,248	0	0	105,248
Debt Service Reserves	0	9,301,664	1,514,090	1,772,730	0	12,588,484	0	0	12,588,484
Assets Limited as to Use	51,598,474	9,393,643	1,525,027	1,812,332	0	64,329,476	7,618,876	0	71,948,352
Due From Related Parties, Less Current Portion	227,524	0	0	0	0	227,524	0	0	227,524
Other Non-Current Assets	409,528	0	0	0	0	409,528	0	0	409,528
Property, Plant & Equipment Gross	4,772,210	86,944,218	37,905,033	51,279,924	0	180,901,385	0	1,480,499	182,381,884
Less: Accumulated Depreciation	(2,357,004)	(33,932,292)	(26,155,489)	(34,772,751)	0	(97,217,536)	0	(972,593)	(98,190,129)
Net Property, Plant & Equipment	2,415,206	53,011,927	11,749,543	16,507,173	0	83,683,849	0	507,906	84,191,755
<b>Total Non-current Assets</b>	<b>54,650,732</b>	<b>62,405,569</b>	<b>13,274,571</b>	<b>18,319,505</b>	<b>0</b>	<b>148,650,377</b>	<b>7,618,876</b>	<b>507,906</b>	<b>156,777,159</b>
<b>Total Assets</b>	<b>58,082,565</b>	<b>64,553,023</b>	<b>14,008,450</b>	<b>18,876,970</b>	<b>74,935</b>	<b>155,595,943</b>	<b>9,778,352</b>	<b>1,405,037</b>	<b>166,779,332</b>
<b>Liabilities and Net Assets</b>									
<b>Current Liabilities:</b>									
Current Portion of Long-term Debt	0	204,000	886,000	450,000	0	1,540,000	0	0	1,540,000
Current Portion of Lease Obligation	0	0	0	0	0	0	0	63,524	63,524
Accounts Payable	131,373	1,033,162	465,600	318,203	0	1,948,337	6,058	1,578,279	3,532,674
Wages/Taxes/Withholding Payable	685,167	954,110	807,861	282,443	1,755	2,731,336	35,939	303,427	3,070,702
Resident Funds Liability	0	91,979	10,937	2,333	0	105,248	0	0	105,248
Resident Escrows	0	68,494	71,024	296,320	0	435,838	0	0	435,838
Refunds Payable	0	429,530	101,136	182,038	0	712,705	0	0	712,705
Refunds Paid	0	(152,700)	(289,181)	(8,191)	0	(450,072)	0	0	(450,072)
Advance Deposits	0	157,350	209,033	90,144	0	456,528	0	0	456,528
Entrance Fees Received	0	765,142	789,737	389,528	0	1,944,407	0	0	1,944,407
Due to Affiliates	12,211,083	(16,300,855)	5,122,849	(2,343,606)	76,962	(1,233,567)	2,959,311	(1,725,744)	0
Other Current Liabilities	498,561	741,668	189,670	258,060	0	1,687,958	0	1,002,902	2,690,860
<b>Total Current Liabilities</b>	<b>13,526,184</b>	<b>(12,008,120)</b>	<b>8,364,667</b>	<b>(82,728)</b>	<b>78,718</b>	<b>9,878,719</b>	<b>3,001,308</b>	<b>1,222,388</b>	<b>14,102,415</b>
<b>Non-current Liabilities:</b>									
Long Term Debt, Less Current Portion	0	61,468,851	12,912,701	17,796,456	0	92,178,008	0	0	92,178,008
Lease Obligation, Less Current Portion	0	0	0	0	0	0	0	138,437	138,437
Deferred Rev-Resident Fee (NonRefundable)	0	9,201,057	9,476,418	14,038,550	0	32,716,025	0	0	32,716,025
Long Term Refunds Payable (Refundable)	0	4,786,219	3,239,861	3,556,653	0	11,582,732	0	0	11,582,732
<b>Total Non-current Liabilities</b>	<b>0</b>	<b>75,456,127</b>	<b>25,628,980</b>	<b>35,391,659</b>	<b>0</b>	<b>136,476,765</b>	<b>0</b>	<b>138,437</b>	<b>136,615,202</b>
<b>Total Liabilities</b>	<b>13,526,184</b>	<b>63,448,006</b>	<b>33,993,646</b>	<b>35,308,931</b>	<b>78,718</b>	<b>146,355,485</b>	<b>3,001,308</b>	<b>1,360,825</b>	<b>150,717,618</b>
<b>Net Assets:</b>									
With Donor Restrictions	0	0	0	0	0	0	7,560,468	0	7,560,468
<b>Without Donor Restrictions:</b>									
Retained Earnings-Prior Year	49,371,717	1,473,077	(20,281,717)	(16,324,194)	0	14,238,883	(234,518)	(220,530)	13,783,835
Retained Earnings-Current Year	(4,815,336)	(368,060)	296,520	(107,767)	(3,783)	(4,998,425)	(548,906)	264,742	(5,282,589)
<b>Total Net Assets</b>	<b>44,556,381</b>	<b>1,105,017</b>	<b>(19,985,197)</b>	<b>(16,431,960)</b>	<b>(3,783)</b>	<b>9,240,458</b>	<b>6,777,044</b>	<b>44,212</b>	<b>16,061,714</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>58,082,565</b>	<b>64,553,023</b>	<b>14,008,450</b>	<b>18,876,970</b>	<b>74,935</b>	<b>155,595,943</b>	<b>9,778,352</b>	<b>1,405,037</b>	<b>166,779,332</b>

## 2. UCHS Profit and Loss (YTD)

For the Period Ending December 31, 2018

	Home Office	Abernethy Laurels	Piedmont Crossing	Lake Prince Woods	Lake Prince At Home	UCHS Obligated Group	Foundation	Carolina SeniorCare	Consolidated
<b>OPERATING REVENUES:</b>									
Total Health Care Rev	0	3,584,169	2,393,275	820,588	0	6,798,032	0	0	6,798,032
Total Home Care Rev	0	169,677	420,259	34,208	0	624,144	0	0	624,144
Total Home Health Rev	0	0	0	0	0	0	0	0	0
Total Outside Services Rev	0	16,431	0	0	0	16,431	0	0	16,431
Total Capitation Rev	0	0	0	0	0	0	0	4,198,119	4,198,119
Total Pavilion/AL Rev	0	226,456	196,831	745,733	0	1,169,020	0	0	1,169,020
Total ILU Service Rev	0	1,135,464	1,081,761	1,046,736	0	3,263,961	0	0	3,263,961
Net Service Revenue	0	5,132,197	4,092,127	2,647,265	0	11,871,588	0	4,198,119	16,069,708
Amortization of Advance Fees	0	396,107	470,371	457,578	0	1,324,057	0	0	1,324,057
Other Operating Rev	1,206,158	42,469	6,335	35,324	0	1,290,286	0	318	1,290,603
Total Center Operating Rev	1,206,158	5,570,773	4,568,832	3,140,167	0	14,485,931	0	4,198,437	18,684,368
<b>OPERATING EXPENSES:</b>									
Health Care Expense	0	1,654,235	1,158,524	467,282	0	3,280,041	0	0	3,280,041
Primary Care	0	0	0	0	0	0	0	89,344	89,344
Restorative Therapy	0	0	0	0	0	0	0	101,546	101,546
Outpatient Services	0	0	0	0	0	0	0	288,485	288,485
Inpatient Services	0	0	0	0	0	0	0	1,206,361	1,206,361
Center Support	0	0	0	0	0	0	0	80,560	80,560
Recreational Therapy	0	0	0	0	0	0	0	37,479	37,479
Pharmacy	0	0	0	0	0	0	0	817,892	817,892
Nutrition	0	0	0	0	0	0	0	56,424	56,424
Medical Records	0	20,841	9,947	8,925	0	39,714	0	0	39,714
Personnel	294,381	776,076	636,896	409,734	368	2,117,456	16,425	293,166	2,427,047
Laundry	0	31,182	19,561	8,823	0	59,566	0	0	59,566
Social Services	0	22,072	28,432	27,268	0	77,772	0	44,956	122,727
Activities	0	39,649	22,764	26,234	0	88,647	0	0	88,647
Spiritual Life	0	14,887	14,848	18,069	0	47,804	0	9,898	57,703
Housekeeping	0	139,224	77,628	53,328	0	270,180	0	19,892	290,073
Plant Maintenance	0	527,929	337,416	415,645	0	1,280,991	0	31,557	1,312,547
Staff Development	0	16,679	7,983	7,847	0	32,508	0	0	32,508
Independent Living Expense	0	50,488	23,112	38,641	0	112,241	0	0	112,241
Pavilion/AL Expense	0	125,280	52,372	204,760	0	382,413	0	0	382,413
Outside Services Expense	0	14,513	0	0	0	14,513	0	0	14,513
Clinic	0	11,061	4,978	0	0	16,038	0	177,410	193,448
Home Care Expense	0	128,615	348,894	55,619	0	533,129	0	235,609	768,738
Home Health Expense	0	0	0	0	3,299	3,299	0	0	3,299
Resident Services	0	12,421	28,572	25,351	0	66,344	0	0	66,344
Transportation	0	32,068	7,404	8,278	0	47,750	0	173,760	221,510
Administrative	726,757	194,795	151,428	149,236	50	1,222,267	55,422	170,620	1,448,309
Health Plan Operations	0	0	0	0	0	0	0	96,946	96,946
Marketing	0	84,246	87,315	74,963	0	246,524	0	24,398	270,922
Dietary	0	530,342	384,427	277,152	0	1,191,920	0	0	1,191,920
Wellness Center	0	30,000	0	0	0	30,000	0	0	30,000
Beauty Shop Expense	0	0	14,810	12,687	0	27,497	0	0	27,497
Day Care Expense	60,998	0	0	0	0	60,998	0	0	60,998
Total Resident Services Exp	1,082,136	4,456,603	3,417,311	2,289,843	3,718	11,249,611	71,846	3,956,304	15,277,761
Management Fees	0	341,268	268,096	188,419	0	797,783	0	163,968	961,751
Building Lease	0	0	0	0	0	0	0	78,150	78,150
Depreciation	58,221	787,931	355,167	423,827	0	1,625,145	0	44,463	1,669,608
Amortization	0	14,222	10,399	29,286	0	53,908	0	0	53,908
Real Estate	2,758	0	0	100,000	0	102,758	0	0	102,758
Interest Expense	0	490,394	142,464	167,530	0	800,389	0	1,016	801,405
Insurance	12,906	75,754	52,878	35,449	0	176,987	0	18,306	195,293
Bad Debt Expense	0	120,000	21,000	3,000	0	144,000	0	15,000	159,000
Total Retirement Center Exp	1,156,021	6,286,173	4,267,315	3,237,354	3,718	14,950,580	71,846	4,277,206	19,299,633
Retirement Center Profit/(Loss)	50,137	(715,400)	301,517	(97,187)	(3,718)	(464,649)	(71,846)	(78,769)	(615,265)
Other Operating Expenses	14,567	20,877	21,925	18,861	65	76,295	986	6,488	83,770
Profit/(Loss) from Operations	35,570	(736,277)	279,593	(116,048)	(3,783)	(540,945)	(72,832)	(85,258)	(699,035)
Contributions - Revenue	0	347,811	0	0	0	347,811	32,310	350,000	730,121
Contributions - Expense	(406,174)	0	0	0	0	(406,174)	0	0	(406,174)
Realized Gain/(Loss) on Investments	1,118,407	19,711	7,020	6,677	0	1,151,815	164,987	0	1,316,802
Gift and Thrift Shop	0	694	0	0	0	694	0	0	694
Other Non-operating Revenue/(Expense)	1,075	0	9,908	1,604	0	12,587	450	0	13,037
Unrealized Gain (Loss) on Investments	(5,564,213)	0	0	0	0	(5,564,213)	(673,821)	0	(6,238,034)
Total Non-Operating Rev/(Exp)	(4,850,906)	368,217	16,928	8,281	0	(4,457,480)	(476,074)	350,000	(4,583,554)
Net Profit (Loss)	(4,815,336)	(368,060)	296,520	(107,767)	(3,783)	(4,998,425)	(548,906)	264,742	(5,282,589)

**3. UCHS Cash Flow Statement**  
For the Period Ending December 31, 2018

	Home Office	Abermethy Laurels	Piedmont Crossing	Lake Prince Woods	Lake Prince At Home	UCHS Obligated Group	Foundation	Carolina SeniorCare	Consolidated
Operating Activities:									
Change in Net Assets Without Donor Restrictions	(4,815,336)	(368,060)	296,520	(107,767)	(3,783)	(4,998,425)	(548,906)	264,742	(5,282,589)
Adjustments to reconcile change in net assets to net cash provided by operating activities:									
Net realized and unrealized gain on investments	4,445,806	(19,711)	(7,020)	(6,677)	0	4,412,398	508,834	0	4,921,232
Change in allowance for doubtful accounts	0	914	(8,657)	1,954	0	(5,789)	0	15,000	9,211
Depreciation	58,221	787,931	355,167	423,827	0	1,625,145	0	44,463	1,669,608
Amortization of deferred costs	0	14,222	10,262	24,564	0	49,048	0	0	49,048
Amortization of advance fees	0	(396,107)	(470,371)	(457,578)	0	(1,324,056)	0	0	(1,324,056)
Amortization of bond discounts	0	0	0	4,723	0	4,723	0	0	4,723
Amortization of bond premiums	0	(14,597)	(13,568)	(42,992)	0	(71,157)	0	0	(71,157)
Entrance fees received	0	765,142	789,737	389,528	0	1,944,407	0	0	1,944,407
Entrance fees refunded	0	(152,700)	(289,181)	(8,191)	0	(450,072)	0	0	(450,072)
Change in value of fund balances	0	(24,061)	0	0	0	(24,061)	(306,268)	0	(330,329)
(Increase) decrease in:									
Accounts receivable(net)	0	(70,539)	(50,060)	105,312	0	(15,287)	0	60,945	45,659
Other receivables	(5,411)	(99,701)	(15,444)	(74,871)	0	(195,428)	1,228,702	(4,471)	1,028,803
Prepaids	(22,622)	(7,280)	14,414	28,660	0	13,172	(2,003)	29,216	40,384
Increase (decrease) in:									
Accounts payable	(207,499)	(448,414)	4,130	(120,879)	0	(772,661)	(1,955)	(227,369)	(1,001,986)
Accrued expenses and other payables	4,971	(176,752)	(131,650)	(168,956)	1,755	(470,632)	2,790	(56,951)	(524,793)
Other Current Liabilities	(34,489)	511,257	136,427	81,107	0	694,303	0	(461,674)	232,629
Resident escrows	0	(7,637)	(16,500)	(10,773)	0	(34,910)	0	0	(34,910)
Intercompany	(1,134,769)	611,606	(239,299)	672,911	76,962	(12,588)	33,151	(20,563)	0
	(1,711,127)	905,513	364,908	733,901	74,935	368,130	914,345	(356,662)	925,812
Net Cash provided by operating activities	22,683	2,183,276	0	(320,543)	0	1,885,416	4,064	0	1,889,480
Cash flows from investing activities:	(173,193)	0	0	0	0	(173,193)	0	0	(173,193)
Change of assets limited as to use	0	0	0	0	0	0	0	0	0
Advances from related parties, net	0	(3,234,771)	(65,254)	(100,833)	0	(3,400,858)	0	(77,466)	(3,478,324)
Purchases of property and equipment	(150,510)	(1,051,495)	(65,254)	(421,376)	0	(1,688,635)	4,064	(77,466)	(1,762,037)
Net cash used by investing activities	(173,193)	(3,234,771)	(65,254)	(100,833)	0	(3,400,858)	0	(77,466)	(3,478,324)
Cash flows from financing activities									
Deposits on advanced fees	0	0	(1,000)	154	0	(846)	0	0	(846)
Checks issued in excess of deposits	(31,158)	145,983	(58,654)	(312,679)	0	(256,509)	307	440,852	184,650
Principal payments of long-term debt / leases	0	0	(240,000)	0	0	(240,000)	0	(26,441)	(266,441)
Net cash used by financing activities	(31,158)	145,983	(299,654)	(312,525)	0	(497,355)	307	414,411	(82,636)
Net increase(decrease) in cash & cash equivalents	(1,892,795)	0	(0)	0	74,935	(1,817,860)	918,716	(19,718)	(918,862)

**4. UCHS Profit and Loss Statement (Fiscal Year 2019 Budget)**  
(without Carolina SeniorCare and UCHS Foundation)

**OPERATING BUDGET:**

	Home Office	Abernethy Laurels	Piedmont Crossing	Elimination of Management Fees	Combined
<b>OPERATING REVENUES</b>					
Total Health Care Revenue		14,914,770	9,298,290		24,213,060
Total Home Care Revenue		596,500	1,794,000		2,390,500
Total Outside Services Revenue		134,000			134,000
Total Pavilion/AL Revenues		1,090,328	733,669		1,823,997
Total ILU Service Revenue		4,805,535	4,403,270		9,208,805
<b>Net Service Revenue</b>	<b>0</b>	<b>21,541,133</b>	<b>16,229,229</b>		<b>37,770,362</b>
Resident Agreement Revenue		1,650,000	1,559,285		3,209,285
Other Operating Revenue	5,043,533	204,448	85,291	(2,476,163)	2,857,109
<b>Total Center Operating Revenue</b>	<b>5,043,533</b>	<b>23,395,581</b>	<b>17,873,805</b>		<b>43,836,756</b>
<b>OPERATING EXPENSES:</b>					
Health Care Expenses		6,726,896	4,494,920		11,221,816
Medical Records		66,491	45,757		112,248
Personnel	1,200,097	3,196,571	2,744,482		7,141,150
Laundry Expenses		152,667	91,513		244,180
Social Services Expenses		100,588	110,146		210,734
Activities Expenses		175,991	94,891		270,882
Spiritual Life Expenses		62,392	59,076		121,468
Housekeeping Expenses		592,274	301,619		893,893
Plant Maintenance Expenses		1,765,665	1,451,983		3,217,648
Staff Development Expenses		93,944	24,400		118,344
Independent Living Expenses		247,562	68,784		316,346
Pavilion/AL Expenses		534,250	217,204		751,454
Outside Services Expenses		60,567			60,567
Clinic Expenses		64,531	15,000		79,531
Home Health Care Expenses		464,145	1,520,758		1,984,903
Resident Services		47,182	116,814		163,996
Transportation Expenses		86,320	27,708		114,028
Administration Expenses	3,104,217	639,950	573,577		4,317,744
Marketing Expenses		427,559	374,516		802,075
Dietary Expenses		2,215,437	1,495,235		3,710,672
Wellness Center		137,014			137,014
Beauty Shop Expenses			58,000		58,000
Day Care Expenses	300,271				300,271
<b>Total Resident Services Expenses</b>	<b>4,604,585</b>	<b>17,857,996</b>	<b>13,886,383</b>		<b>36,348,964</b>
Management Fees		1,403,735	1,072,428	(2,476,163)	0
Depreciation Expense	235,003	3,358,332	1,429,668		5,023,003
Amortization Expense	0	53,515	41,046		94,561
Real Estate Taxes	10,500				10,500
Interest Expense	0	2,470,243	570,155		3,040,398
Insurance	53,306	325,763	221,946		601,015
Bad Debts		480,000	84,000		564,000
<b>Total Retirement Center Expenses</b>	<b>4,903,394</b>	<b>25,949,584</b>	<b>17,305,626</b>		<b>45,682,441</b>
<b>Retirement Center Profit(Loss)</b>	<b>140,139</b>	<b>(2,554,003)</b>	<b>568,179</b>		<b>(1,845,685)</b>
Other Operating Expenses	60,142	129,315	109,848		299,305
<b>Profit(Loss) from Operations</b>	<b>79,997</b>	<b>(2,683,318)</b>	<b>458,331</b>		<b>(2,144,990)</b>
Contributions - Revenue		1,750,000			1,750,000
Contributions - Expense	(285,204)				(285,204)
Realized Gain(Loss) on Investments	2,577,359				2,577,359
Gift Shop					0
Other Non-Operating Rev/(Exp)		(1,500)	40,000		38,500
Unrealized Gain(Loss) on Investments					0
<b>Total Non-Operating Rev(Exp)</b>	<b>2,292,155</b>	<b>1,748,500</b>	<b>40,000</b>		<b>4,080,655</b>
<b>Net Profit(Loss)</b>	<b>2,372,152</b>	<b>(934,818)</b>	<b>498,331</b>		<b>1,935,665</b>