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**100 Hickory Street  
Greenville, North Carolina 27858  
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[www.cypressglen.org](http://www.cypressglen.org)**

## **DISCLOSURE STATEMENT**

**Cypress Glen Retirement Community (the "Community") must deliver a Disclosure Statement to a prospective resident prior to or at the time a prospective resident executes a Residency Agreement to provide continuing care, or prior to or at the time a prospective resident transfers any money or other property to the Community, whichever occurs first.**

**The Community, like all other continuing care retirement communities in the State of North Carolina, is subject to the Continuing Care Retirement Communities Act. This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.**

**February 27, 2019**

**Unless earlier revised, the Community intends for this Disclosure Statement to remain effective until July 27, 2020**



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## Attachments:

- **Attachment 1 - Audited Financial Statements for The United Methodist Retirement Homes, Incorporated (includes the consolidated operations of Croasdaile Village, Cypress Glen and Wesley Pines)**
- **Attachment 2 - Forecasted Financial Statements for The United Methodist Retirement Homes, Incorporated (includes the consolidated operations of Croasdaile Village, Cypress Glen and Wesley Pines)**
- **Attachment 3 - Interim Unaudited Financial Statements for The United Methodist Retirement Homes, Incorporated (includes the consolidated operations of Croasdaile Village, Cypress Glen and Wesley Pines)**
- **Attachment 4 - Explanations of Material Differences**
- **Attachment 5 - Residency Agreements**
- **Attachment 6 - Communities Managed by Life Care Services LLC**
- **Attachment 7 - List of Extra Charges**

## INTRODUCTION

The Cypress Glen Retirement Community (the "Community") brings to residents of the eastern North Carolina area, who are age 62 and over, a way of retirement living known as "continuing care." This concept offers retirees a lifestyle designed to meet their unique needs while allowing them the freedom to pursue their personal interests. Continuing care communities, such as the Community, encompass these important components: a private residence, a wide array of personal services, and the security of care in the on-site Health Center.

The Community is owned and operated by The United Methodist Retirement Homes, Incorporated ("UMRH"). UMRH is a North Carolina not-for-profit corporation that is committed to providing a quality adult community that is fiscally sound and genuinely responsive to resident needs. UMRH also owns Croasdaile Village, a continuing care retirement community located in Durham, North Carolina and Wesley Pines, a continuing care retirement community located in Lumberton, North Carolina. The financial information contained in this Disclosure Statement includes financial information for UMRH and the consolidated operations of Croasdaile Village, Cypress Glen and Wesley Pines. (See further explanation under the "Financial Information" section of this Disclosure Statement.)

One of the purposes of this Disclosure Statement is to explain to prospective residents, their families, and their advisors who and what is involved in the operation of the Community. This Disclosure Statement was prepared on the basis of information available at the time of its publication and assumptions, which were believed to be realistic as of that date. Such information and assumptions are, of course, subject to change and, in particular, are significantly affected by changes in inflation and interest rates.

Since non-technical language has been used in this Disclosure Statement, the text of this booklet and the language of the Residency Agreement signed by a resident may not be the same. Although this Disclosure Statement details the provisions of the Residency Agreement, the Residency Agreement serves as the sole binding contract between the resident and UMRH.

**We are pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the Nation. We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, handicap, or national origin.**

## **THE UNITED METHODIST RETIREMENT HOMES, INCORPORATED**

The United Methodist Retirement Homes, Incorporated ("UMRH") is a not-for-profit corporation originally chartered by the State of North Carolina on January 24, 1946. A Restated Charter was filed with the Department of the Secretary of State for the State of North Carolina on October 26, 1992. The principal business address of UMRH is 2600 Croasdaile Farm Parkway, Suite A-500; Durham, North Carolina 27705.

UMRH is operated as a community service organization and is tax exempt under the provisions of Section 501(c)(3) of Internal Revenue Code.

UMRH is the sole shareholder of UMRH Affordable Housing, Inc. UMRH-Affordable Housing, Inc. is located at 2600 Croasdaile Farm Parkway, Suite A-500, Durham, NC 27705. It was organized in 2002 in the State of North Carolina in conjunction with the Wesley Ridge project (see more information below). UMRH Affordable Housing, Inc. is not responsible for the contractual or financial obligations of UMRH.

UMRH is the sole member of UMRH Affordable Housing Development, LLC, located at 2600 Croasdaile Farm Parkway, Suite A-500, Durham, NC 27705. UMRH Affordable Housing Development, LLC was organized in North Carolina in 2002 to further the charitable purposes of UMRH by developing Wesley Ridge, a 24-unit affordable rental housing complex located adjacent to Wesley Pines. UMRH Affordable Housing Development, LLC is not responsible for the contractual or financial obligations of UMRH.

UMRH is affiliated with The United Methodist Retirement Homes Foundation, Inc. (the "Foundation"). The Foundation is a not-for-profit corporation, which was organized for the benefit of the retirement communities operated by UMRH. Its purpose is to raise endowment funds, to support benevolent care for those residents who are unable to pay for care, and to support special programs. The Foundation is located at 2600 Croasdaile Farm Parkway, Suite A-500, Durham, NC 27705. The Board of Trustees of UMRH are the same Board of Trustees for the Foundation. UMRH and the Foundation are jointly obligated under the terms of the various bond agreements entered into for the financing of Croasdaile Village, Cypress Glen and Wesley Pines.

UMRH is related by faith to the North Carolina Annual Conference, Southeastern Jurisdiction, of The United Methodist Church. UMRH is governed by a corporate Board of Trustees. The North Carolina Annual Conference of The United Methodist Church elects forty percent (40%) of the Board of Trustees of UMRH. The North Carolina Annual Conference of The United Methodist Church is not responsible for the financial and contractual obligations of UMRH.

UMRH is also affiliated by membership with LeadingAge North Carolina; the United Methodist Association of Health and Welfare Ministries; and LeadingAge (National).

Other than disclosed above, UMRH is not affiliated with any other religious, charitable or nonprofit organization.

## BOARD OF TRUSTEES

The names and addresses of the members of the Board of Trustees of UMRH are listed below:

*Mr. Artie Rogers*  
*Chair and Trustee*  
502 Teversham Court  
Winterville, NC 28590

*Jerry Gambill*  
*Secretary and Trustee*  
105 Welchdale Court  
Cary, NC 27513

*Ms. Deborah Montague*  
*Vice Chair and Trustee*  
501 Quinn Court  
Chapel Hills, NC 27516

*Mr. Jonathan P. Erickson (ex-officio Trustee)*  
*Corporate Executive Director*  
2600 Croasdaile Farm Parkway, Suite A-500  
Durham, NC 27705

*Mr. John Grissom*  
*Treasurer and Trustee*  
5 Westchester Place  
Lumberton, NC 28358

### *Trustees:*

Dr. Zoila Airall, 112 Arthur Lane, Durham, NC 27705  
Ms. Kathryn Bradley, 120 Briarcliff Road, Durham, NC 27707  
Mr. Michael Hardin, 416 Barker Ten Mile Road, Lumberton, NC 28358  
Mr. Carl Hardy, 6615 Sweetgum Court, Sims, NC 27880  
Mr. Bruce Jobe, 303 Highland Avenue, Lumberton, NC 28358  
Rev. Paul Lee, 507 Ringleaf Court, Cary, NC 27705  
Mr. John Link, 4720 Rapids Lane, Durham, NC 27705  
Mr. Thomas Steele, 1698 Westbrook Avenue, Burlington, NC 27216

### *Ex-Officio Members of the Board of Trustees:*

Dr. James Ebert, 1000 Wesley Pines Road, Cottage 110, Lumberton, NC 28358  
Dr. Dick Evans, 449 Forrest Park, Greenville, NC 27858  
Rev. Carol Goehring, PO Box 1970, Garner, NC 27529  
Rev. Kenneth Locklear, 700 Waterfield Ridge Place, Garner, NC 27529  
Ms. Barbara Pray, 15 Boardman Court, Durham, NC 27705  
Ms. Sandy Scarlett, 500 Hepowill Trail, Hillsborough, NC 27278  
Dr. Jerry Gregory, 100 Hickory St., Greenville, NC 27858  
Ms. Linda Link, 10958 NC 904 Hwy, Fairmont, NC 28340  
Rev. Linda Taylor, 8749 Plantation Landing Drive, Wilmington, NC 28411  
Ms. Nancy Van Antwerp, 649 Lipford Dr., Cary, NC 27519

There is not any professional service firm, association, trust, partnership or corporation, in which the Executive Director, management staff or any member of the Board of Trustees has a 10 percent or greater interest in and which it is presently intended shall currently or in the future provide goods, leases or services to the Community or to residents of the Community, of an aggregate value of \$500 or more within any year. Further, there is not any professional service firm, association, trust, partnership, or corporation that currently provides any goods, leases or

services of an aggregate value of \$500 or more within any year to the Community or to the residents of the Community that has a 10% or greater interest in any officer, trustee or management staff (including the Executive Director).

No Trustee or management staff of the Community (i) has been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; or (ii) is subject to a currently effective injunctive or restrictive court order, or within the past five years, had any State or Federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, if the order or action arose out of or related to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for aged, or facility subject to Section 58-64, North Carolina General Statutes, or a similar law in another state. UMRH is not aware of any actions (as defined) against any person (as defined) requiring disclosure.

### **CORPORATE EXECUTIVE DIRECTOR**

Jonathan P. Erickson has been the corporate executive director over all of the UMRH retirement communities since July 2007. Mr. Erickson holds a bachelor of arts in psychology from North Park College in Chicago, Illinois, a master of science in community health from Northern Illinois University in DeKalb, Illinois, and a certification in long-term care management from the University of Connecticut. He is currently licensed as a nursing home administrator in the State of Connecticut. Mr. Erickson has been an employee of Life Care Services LLC for over 20 years and has over 30 years of experience in the senior housing industry.

### **EXECUTIVE DIRECTOR**

Laurie H. Stallings is the executive director of the Community. She holds a bachelor's degree in social work from East Carolina University, is a graduate of the University of North Texas, Retirement Housing Professional Program, and is a licensed nursing home administrator in the State of North Carolina. Mrs. Stallings has over 30 years of experience in the long-term care industry. She is an employee of UMRH and has been at the Community since 1994.

### **RESIDENT COUNCIL**

Administration assisted residents in establishing the Resident Council and its bylaws. The residents annually elect a council of representatives, which, in turn, forms committees in various areas of concern to advise administration. Monthly meetings are held to facilitate communication among residents, administration, and the Board of Trustees.

## LIFE CARE SERVICES LLC

UMRH has retained Life Care Services LLC ("Life Care Services") to manage the Community. Life Care Services is a wholly-owned subsidiary of Life Care Companies LLC ("LCS"), an Iowa limited liability company.

LCS is a nationally recognized leader in the development, marketing and management of senior living communities throughout the United States. Since 1971, LCS has been instrumental in the planning, developing, marketing and managing of senior living communities throughout the United States. Management services are provided through Life Care Services, and it currently manages more than approximately 135 communities serving over 33,000 residents in 31 states (see Attachment 6 attached to this Disclosure Statement).

Principal officers of LCS include Mr. Ed Kenny, Mr. Joel Nelson, Mrs. Diane Bridgewater, Mr. Rick Exline, and Mr. David Laffey.

Mr. Kenny is Chairman of the Board of LCS®. LCS is recognized as a high quality provider of senior lifestyle products and services. Ed has been with LCS for over 38 years and served as CEO from 2006 to 2017. In 2018 Ed assumed the role of Chairman of the Board. Currently, Ed serves as Chair for the Board of Managers for Life Care Companies, Chair of the Board of Directors of LCS Holdings, Inc. and is Chair of the LCS Foundation. Within the senior housing industry, he serves on the boards of Argentum and National Investment Center for Seniors Housing and Care (NIC), chairs the public policy committee for Argentum, and is a past chairman of the American Seniors Housing Association (ASHA). Locally, he serves on the Boards of the United Way of Central Iowa, and the Greater Des Moines Botanical Gardens. Ed holds a Bachelor of Science degree in health services administration from Providence College.

Mr. Nelson is President and Chief Executive Officer of LCS, the 3rd largest senior living operator, which includes not-for-profit and for-profit assets across the continuum of senior living. He is an experienced leader in governance within the industry, including all phases of real estate acquisition, development, operations, marketing and sales. Joel is responsible for executing the business strategy across the six business lines in the LCS Family of Companies. He thrives on driving business growth, achieving service excellence, and enhancing the company's stability and value among financial partners, property owners, and other stakeholders in the senior living field. Currently, Joel serves on the board of managers for Life Care Companies, LCS Holdings, is past-chair and a current member of the Investment Committee. Outside of LCS, Joel is a member of the National Investment Center (NIC) operator advisory board, the Central Iowa Alzheimer's Association board. He is also past chair and current board member of ChildServe, Inc., one of Des Moines largest not-for-profit organizations serving children and families with complex health care needs. Joel earned a Bachelor of Science degree in health service administration from Simpson College.

Mrs. Bridgewater is Executive Vice President/Chief Financial and Administrative Officer of LCS. Diane joined the organization in 2006 after filling several executive level positions with Pioneer Hi-Bred International, a DuPont Company. In her years with Pioneer, she held a number of operational and financial roles including: Chief Financial Officer, Vice President and Business Director for North America, Director of Customer and Sales Services for Seed and Crop Protection, Worldwide Finance Director, and other roles. Diane started her career with KPMG.

Diane earned her undergraduate degrees in Accounting and French from the University of Northern Iowa and received her CPA certification in 1986. Diane currently serves on the boards of LCS Holdings, Inc., Life Care Companies LLC, Casey's General Stores, and Bankers Trust.

Mr. Exline joined the company in 1978 and is responsible for the oversight of the company's life plan communities including third party and investment senior living management services. Rick oversees the communities' senior living management teams, health care group, national sales, new business development and life plan community development teams. Rick serves on the board of managers for Life Care Companies LLC, the board of directors for LCS Holdings, Inc., executive leadership and senior living management teams. Rick is also a trustee for the company's 401(k) benefits program as well as serving on the board of trustees for Simpson College. He holds dual bachelor's degrees: one in business administration from Simpson College and one in health care administration from Oklahoma Baptist University. He is a graduate of the Executive Institute at The University of North Carolina at Chapel Hill.

Mr. Laffey is Executive Vice President/Director of LCS Real Estate. In this capacity he is responsible for the organization's overall business performance related to equity investments, debt placement, and asset management. LCS Real Estate is the real estate investment company of LCS. LCS Real Estate has AUM in excess of \$1.3 billion in 38 properties totaling over 8,000 units in 16 States. He joined the firm in 2009 as Vice President/Director of Debt Placement after spending eleven years with Ziegler, most recently as Managing Director. Currently, David serves on the Management Committee for LCS and is a voting member of the Investment Committee. He also serves on the boards of LCS Holdings, Inc, Life Care Companies LLC and Taylor Communities. He earned his bachelor's degree in Finance from Villanova University.

Management of the Community is performed by Life Care Services under contract with UMRH. Life Care Services' responsibilities include: recruiting and employing the corporate executive director; supervising the licensing, equipping, and staffing of the Community; preparing annual budgets; establishing and operating a system of financial controls for the Community, including comparative analyses with other facilities; and overseeing the food service and quality accommodations provided by the Community.

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

Life Care Services is not financially responsible for the contractual obligations or other obligations of UMRH. The Board of Trustees of UMRH retains the ultimate responsibility for hiring managers and monitoring the operating costs, wages, salaries, expenses, fees, and overall fiscal viability of the Community.



## THE COMMUNITY

Cypress Glen Retirement Community is situated on approximately 95 acres of land and is located one mile from the campus of East Carolina University. It is a continuing care retirement community designed to accommodate persons 62 years of age or older in a dignified manner. As of September 30, 2018, there were 305 residents living at the Community. Following is a breakdown of units:

Apartments	151
Cottages	46
Assisted Living	30
Memory Care Cottage	12
Skilled Nursing	30

All residences are equipped with safety features such as assist bars in the bathroom and an emergency call system, with 24-hour check. The Community also offers additional personal services to residents residing in residential living through its home care program. These residents pay a fee for these services.

In addition to the primary intent of the Community, which is to assure the residents of continuing care throughout their retirement years, the Community is designed to create an environment that will enrich the lives of the people who live and work there. The design of the main commons building provides areas for dining and meetings without detracting from the homelike environment of the Community. Some of the amenities which residents can enjoy include: a central dining room; a casual dining area; a chapel; a multi-purpose room; a health clinic; a physical and occupational therapy area; card rooms; a game room; a library; a mail area; an arts and crafts studio; lounges; a wellness center with a cardiovascular fitness room, aerobics room, a deep water salt treated pool, and a salon/spa; and a computer wired for Internet access available in the conference room.

The Health Center is licensed by the North Carolina Division of Health Service Regulation. The Health Center offers assisted living, memory care, and nursing care to the residents of the Community. Assisted living services include assistance with the activities of daily living such as ambulation, bathing, dressing, eating, personal hygiene, toileting, and the supervision or administration of medications. Memory care services include scheduled and unscheduled special care assisted living services to persons with Alzheimer's Disease or related disorders. Six of the skilled nursing facility beds are Medicare certified.

Each continuing care resident at the Community is entitled to receive a total of six (6) days of assisted living, memory care or nursing care at the Community Health Center at no additional charge, except for the charges for physician services and ancillary health services and supplies. Such six (6) days renews on an annual basis and does not accumulate. After the six (6) days of care each year, the services in assisted living, memory care and nursing care at the Community Health Center are available for the per diem charge.

## **SMOKE-FREE CAMPUS**

The Community is a "smoke-free" campus. Smoking (including E-Cigarettes) is not allowed by residents, guests, and business invitees on the Community campus (inside or outside), except in a designated outside area. No smoking areas include, but are not limited to, the residences, hallways, dining rooms, public restrooms, lounge areas, reception areas, waiting rooms, courtyards, entrances, walking paths, driveways, and any other common areas. Smoking is only permitted at the designated area. Violation of the Smoke-Free Campus Policy can result in cancellation of the Residency Agreement for just cause.

## **FACILITY DEVELOPMENT/EXPANSION**

In 2001, the Community implemented a cottage expansion plan, with a goal of adding a total compliment of 54 cottages. To date, 46 cottages have been built and occupied. Three additional cottages may be built and occupied in the future within the existing cottage community. Cottages are built as pre-sales occur and the resident has paid the 10 percent Entrance Fee deposit. The Community uses the Entrance Fee deposit to begin construction of the cottage, thus eliminating the need for long-term financing for this expansion project. The Residency Agreements used to market these cottages are attached to this Disclosure Statement as Attachment 5.

At the end of 2017, the community also began accepting priority reservations for an 18 unit (cottages and villas) expansion. Site work and infrastructure were installed and completed in December 2018. Vertical construction is planned to commence in February 2019 with the first move-ins expected in the 4<sup>th</sup> quarter 2019. The proposed eighteen (18) units will all be complete by February 2021.

The Community obtained an actuarial report on July 16, 2018 from Milliman, an independent actuarial and consulting firm.

## **THE PROPOSAL**

1. Criteria for Resident Acceptance and Continued Acceptance. Residency Agreements are subject to acceptance by UMRH. At the time of the execution of a Residency Agreement, the resident must be 62 years of age or older, capable of living in a residence (with or without reasonable accommodation or reasonable modification), and have sufficient financial resources to pay the Entrance Fee, Monthly Fee, and any extra charges incurred as defined in the Residency Agreement.

UMRH uses the FINAID system to financially evaluate a prospective resident's net worth and monthly income. FINAID projects income for prospective residents based on their financial assets and income sources, and compares this revenue to projected expenses such as monthly fees, personal expenses, and income taxes. Generally, a prospective resident should have a minimum net worth equal to three (3) times the amount of the Entrance Fee (prior to payment of the Entrance Fee). Generally, a prospective resident should have a minimum monthly income range of two times the Monthly Fee (including second person fees when applicable) in effect at the time of residency. Although the asset and income tests listed above are appropriate tests for financial wherewithal, the FINAID software program will be used for all applicants to measure financial qualification.

An inquiry will be made of all prospective residents regarding the prospective resident's ability to live in a residence, with or without reasonable accommodation or reasonable modification. To determine whether a prospective resident meets the health guidelines, the following information will be gathered: (1) insurance and health information will be obtained from a Confidential Data Application Form and a Personal Health History Form – to be completed by the prospective resident; (2) a Physician's Report Form will be completed by the prospective resident's physician; and (3) a Memory Health Assessment will be administered by the Community.

After executing a Residency Agreement but prior to occupancy, UMRH can cancel the Residency Agreement if the resident does not pay his or her Entrance Fee; for non-acceptance based on the residency criteria listed above; or if the resident is unable to occupy the residence because of illness, injury or incapacity.

If the resident encounters financial difficulties after residency at the Community and is unable to pay the total Monthly Fee or the per diem charges for care in the Health Center, these charges may be deferred as long as the resident has met all "spend-down" provisions of eligibility for the Medicaid program (if applicable) and any public assistance funds. Financial assistance is not available to a resident if he/she impaired his/her ability to meet financial obligations by transferring assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. A resident will be permitted to remain at the Community for reduced fees based on his/her ability to pay for as long as the resident establishes facts to justify the deferment. Financial assistance is only available if it does not impair UMRH's ability to operate the Community on a sound financial basis for the benefit of all residents.

UMRH has the right to cancel the resident's residency (i) if the resident does not comply with the terms of the Residency Agreement or the published operating procedures, covenants, rules, regulations or policies; or (ii) if the resident misrepresented himself/herself during the residency process; or (iii) for nonpayment of fees or charges; or (iv) if it is determined the resident's health status or behavior constitutes a substantial threat to the health or safety of the resident or others, including refusal to consent to relocation, or behavior that would result in physical damage to the property of others or the Community; or (v) if the resident's physical or mental condition cannot be cared for in the Community Health Center within the limits of its license.

2. Residency Agreements. At the time the resident makes application for residency at Cypress Glen Retirement Community, the resident will sign a Residency Agreement to reserve the residence selected and will pay an Entrance Fee deposit to Cypress Glen. For an existing residence, the balance of the Entrance Fee is due upon the earlier of the date the resident occupies the Community or within 90 days after the resident executes the Residency Agreement. For a cottage to be constructed, the resident will pay the Entrance Fee in installments:

- The first is equal to 10% of the total Entrance Fee and is paid upon resident's execution of the Residency Agreement;
- The last installment (the balance of the Entrance Fee) is due on the earlier of (i) the date the resident assumes occupancy at the Community or (ii) within thirty (30) days from the date the resident is notified that the residence is ready for occupancy.

The resident will also pay a non-refundable Application Fee. The Application Fee will be used by Cypress Glen to process resident's application for residency.

The Community offers various types of Residency Agreements for the residential apartments and cottages of the Community: a 90 Percent Return of Capital Plan; an 80 Percent Return of Capital Plan; a 50 Percent Return of Capital Plan; and a Standard Plan. The difference between these types of plans is the amount of the Entrance Fee paid and the amount of the refund a resident (or resident's estate) is entitled to after a resident assumes occupancy at the Community as described in Paragraph 3.5 below.

### 3. Reimbursement of the Entrance Fee.

3.1 Nonacceptance. If the resident is not accepted for residency at the Community, the full amount of the Entrance Fee paid by the resident will be promptly refunded, without interest. If the resident's spouse or second person does not meet the requirements for residency, said person may be admitted directly into the Health Center as long as accommodations are available, such person qualifies for the care available in the Health Center, and admission is acceptable in accordance with state law and regulations. The resident will pay the full charges for such level of care.

3.2 Right of Rescission. In accordance with North Carolina laws and regulations governing continuing care retirement communities, a resident has the right to rescind the Residency Agreement within thirty (30) days following the later of (i) his/her execution of the Residency Agreement; or (ii) the receipt of a Disclosure Statement. The resident is not required to move into the Community before the expiration of the 30-day rescission period. If the resident rescinds the Residency Agreement, the full amount of the Entrance Fee paid by the resident will be refunded, without interest, within sixty (60) days of receipt of the written notice of rescission.

3.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, Incapacity or a Substantial Change in Physical, Mental or Financial Condition. If the resident dies before occupying a residence at the Community or if, on account of illness, injury, incapacity, a resident is unable to occupy the residence at the Community, then the Residency Agreement will automatically cancel. The resident may also cancel the Residency Agreement prior to occupancy due to a substantial change in the resident's physical, mental or financial condition. In all of these events of cancellation prior to occupancy, the resident or resident's estate will receive a refund of the Entrance Fee paid, without interest, less any costs specifically incurred by the Community at the resident's request. Under a Residency Agreement for an existing unit, said refund will be made within sixty (60) days of receipt of the notice of cancellation. Under a Residency Agreement for a cottage to be constructed, the refund will be paid when the cottage is reserved by a new resident and the new resident has paid the appropriate Entrance Fee installments to equal the Entrance Fee installments to be refunded to the resident.

3.4 Cancellation Prior to Occupancy for Other Reasons. If the resident cancels the Residency Agreement prior to occupancy, but after the right of rescission period, for reasons other than those stated in Paragraph 3.3 above, the resident will receive a refund of

the Entrance Fee paid, without interest, less a non-refundable portion of the Entrance Fee equal to \$2,000 and less any costs specifically incurred by the Community at resident's request. Under a Residency Agreement for an existing unit, said refund will be made within sixty (60) days of receipt of the notice of cancellation. Under a Residency Agreement for a cottage to be constructed, the refund will be paid when the cottage is reserved by a new resident and the new resident has paid the appropriate Entrance Fee installments to equal the Entrance Fee installments to be refunded to the resident.

3.5 Cancellation After Occupancy. In the event the Residency Agreement is canceled after occupancy or in the event of resident's death after occupancy, refund of the Entrance Fee will be as follows:

3.5.1 90 Percent Return of Capital Residency Agreement: Under the 90 Percent Return of Capital Residency Agreement, resident or resident's estate will receive a refund of the amount of the Entrance Fee previously paid by resident, without interest, less two percent (2%) for each month of residency or portion thereof for up to five (5) months. Subject to the Community's right of offset, the refund of the Entrance Fee will not be less than ninety percent (90%). Said refund will be paid at such time as the residence is reserved by a new resident and said new resident has paid the full amount of the Entrance Fee or within two (2) years from the date of cancellation, whichever occurs first.

3.5.2 80 Percent Return of Capital Residency Agreement: Under the 80 Percent Return of Capital Residency Agreement, resident or resident's estate will receive a refund of the amount of the Entrance Fee previously paid by resident, without interest, less two percent (2%) for each month of residency or portion thereof for up to ten (10) months. Subject to the Community's right of offset, the refund of the Entrance Fee will not be less than eighty percent (80%). Said refund will be paid at such time as the residence is reserved by a new resident and said new resident has paid the full amount of the Entrance Fee or within two (2) years from the date of cancellation, whichever occurs first.

3.5.3 50 Percent Return of Capital Residency Agreement: Under the 50 Percent Return of Capital Residency Agreement, resident or resident's estate will receive a refund of the amount of the Entrance Fee previously paid by resident, without interest, less two percent (2%) for each month of residency or portion thereof for up to twenty-five (25) months. Subject to the Community's right of offset, the refund of the Entrance Fee will not be less than fifty percent (50%). Said refund will be paid at such time as the residence is reserved by a new resident and said new resident has paid the full amount of the Entrance Fee or within two (2) years from the date of cancellation, whichever occurs first.

3.5.4 Standard Residency Agreement: Under the Standard Residency Agreement, resident or resident's estate will receive a refund of the amount of the Entrance Fee previously paid by resident, without interest, less two percent (2%) for each month of residency or portion thereof for up to fifty (50) months. After fifty (50) months of occupancy, no refund of the Entrance Fee will be made. Said refund, if any, will be paid at such time as the residence is reserved by a new resident and said new resident

has paid the full amount of the Entrance Fee or within two (2) years from the date of cancellation, whichever occurs first.

3.6 Cancellation Upon Death. In the event of death of the resident at any time after occupancy, the Residency Agreement shall cancel and the refund of the Entrance Fee paid by the resident will be as outlined in Paragraph 3.5 above.

3.7 Additional Cancellation Provisions Due to Cottage Not Available. If the cottage to be constructed is not available for occupancy within two (2) years after the date UMRH executes the Residency Agreement, the resident may cancel the Residency Agreement and receive a full refund of the portion of the Entrance Fee paid.

3.8 Cancellation by UMRH. Upon thirty (30) days written notice to the resident and/or his or her legal representative, UMRH may cancel the Residency Agreement at any time on the following grounds, which shall be determined by UMRH in its sole discretion:

- Resident does not comply with the terms of the Residency Agreement or the Community's procedures, covenants, rules or policies; or
- Resident misrepresents himself or fails to disclose information during the residency process; or
- Resident fails to make payment to UMRH of any fees or charges due UMRH within sixty (60) days of the date when due; or
- Resident's health status or behavior constitutes a substantial threat to the health or safety of resident, other residents, or others, including Resident's refusal to consent to relocation, or would result in physical damage to the property of the Community or others; or
- Resident's physical or mental condition cannot be cared for in the Community Health Center within the limits of the Community's license.

Cancellation by UMRH occurs only as a last resort, after it becomes clear to UMRH that cancellation is necessary, and after the resident and/or the resident's legal representative/responsible party has an opportunity to be heard. Any refund of the Entrance Fee would be computed on the same basis as stated in Paragraph 3.5 above.

4. Payment of a Monthly Fee. The resident is required to pay a Monthly Fee to the Community upon receipt of a statement and by no later than the fifteenth (15<sup>th</sup>) day of each month. If there are two residents, a second person Monthly Fee will also be paid. The Monthly Fees are paid to provide the services and amenities described in the Residency Agreement and to meet the expenses associated with the operation of the Community. UMRH may increase the Monthly Fee upon thirty (30) days written notice to the residents if UMRH deems it necessary in order to meet the financial needs of the Community and to provide the services to the residents.

5. Health Care Services. Each resident is eligible to receive a total of six (6) days each year of either assisted living care, memory care, or nursing care in the Community Health Center while a resident of his/her residence. If there are two residents under a Residency Agreement, each resident will receive six (6) days, but the days cannot be combined and used by only one resident. Such six (6) days renews on an annual basis and does not accumulate. While utilizing the six (6) days, the resident will be required to continue to pay the Monthly Fee for

his/her residence, as well as any charges for physician services and ancillary health services and supplies. Once a resident is permanently relocated to assisted living, memory care or nursing care, he/she no longer qualifies for the six (6) free days and will be required to pay the per diem charge applicable to the level of care the resident needs. [NOTE: The six (6) days of care is a combined total for assisted living, memory care and nursing care at Cypress Glen Retirement Community.]

6. Relocation/Moves. UMRH reserves the right to relocate a resident to a different residence or a higher level of care after consultation with the resident, resident's family and attending physician if it is determined that such a move should be made for the benefit of the resident or for the proper operation of the Community or to meet the requirements of law.

7. Provisions for New Second Resident. No person other than the resident may occupy the residence without UMRH's prior written approval. If a second person, who is not a party to the Residency Agreement, wishes to become a resident of the Community, that person's acceptance will be in accordance with the current residency policy. An Entrance Fee as determined by the Community will be paid upon residency. In addition, each month the then-current Monthly Fee for second persons will be paid. If the second person does not meet the requirements for residency, he or she will not be permitted to occupy the residence for more than thirty (30) days, except with UMRH's written approval.

8. Provisions for Resident Marrying Resident. Should the resident marry a person who is also a resident of the Community and should they decide to occupy one residence, they must declare which residence will be occupied and which residence will be released. The refund due for the released residence will be as described in Paragraph 3.5 above. Each month, the then-current Monthly Fee for second persons shall be paid.

9. Insurance. The Residency Agreement requires that, when age eligible, the resident maintain Medicare Part A, Medicare Part B and one supplemental health insurance policy or equivalent insurance coverage acceptable to UMRH. It is also recommended that the resident carry personal property insurance and liability insurance. UMRH's insurance does not cover a resident's personal property or liability.

10. Financial Assistance. Financial assistance may be available to existing continuing care residents who live at the Community under a continuing care residency agreement. The resident cannot impair his/her ability to meet his/her financial obligations by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance as outlined in the Residency Agreement. A resident must have met all "spend-down" provisions established in UMRH's Benevolence Policy. The resident must agree to apply for public assistance funds, if available, and/or Medicaid if the Community's Health Center becomes Medicaid certified. Financial assistance funds are available as long as providing financial assistance does not impair UMRH's ability to operate the Community on a sound financial basis for the benefit of all residents.

UMRH does not offer financial assistance to those residents who are admitted directly to assisted living and memory care as private pay residents. Private pay residents are individuals who did not execute a continuing care residency agreement for residential living.

11. Tax Deductions. In accordance with the Internal Revenue Code of 1954, Section 213 and Revenue Rulings (67-185, 68-625, 76-481, 75-302, 75-303, and 93-72) and a Private Letter Ruling (8213102), residents of Cypress Glen Retirement Community may be entitled to an itemized deduction for medical expenses for that portion of the Monthly Fees and Entrance Fees, which represents medical care in the year paid. The tax regulations do not specifically provide a formal method for computing what this portion is; however, IRS Letter Ruling 8213102 indicates a method of calculating a medical expense percentage by using the ratio of medical expenses to all expenses of the Community. Currently, this methodology is in use, but may be subject to change. Each year, the Community distributes a letter to residents describing the recommended medical expense percentages for tax purposes.

All deductions are, of course, subject to limitations imposed by the Internal Revenue Code. Residents are encouraged to consult with a qualified tax advisor before taking any tax deductions.

## THE SERVICES

1. The following services are provided for the Monthly Fee:
  - Dining allowance equal to two meals per day for residents of A and B wings; three meals per day for residents of the C wing; and 25 meals per month for residents of the D wing, East wing, West wing, and cottages.
  - Limited meal delivery to be provided when approved by authorized staff.
  - Consultation and preparation of routine special diets.
  - Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal.
  - Standard television cable system.
  - Building janitor and maintenance.
  - Grounds keeping.
  - Weekly housekeeping services.
  - Laundry facilities for residents in the A, B and C wings; washers and dryers provided in the D wing, East wing, West wing and cottages.
  - Planned activities (social, cultural, recreational, educational, and spiritual) for those who wish to participate.
  - Services of a chaplain.
  - Services of a life enrichment director.
  - Parking for residents and guests.
  - Carpeting (except in kitchen and bath), unless some other floor surface has been installed.
  - Kitchen facilities.
  - Scheduled local transportation as published, including transportation to local medical facilities (non-emergency).
  - Limited additional storage space for A, B, C, D, East, and West wing apartments.
  - Emergency call system, with 24 hour check-in.
  - Smoke detectors.
  - Security – 24 hours a day.
  - Six (6) days of assisted living, memory care, or nursing care in the Community Health Center.



2. The following services are available for an extra charge:
  - Extra meals, depending upon a resident's dining allowance.
  - Extended meal delivery as approved by authorized staff.
  - Preparation of special diets (beyond those which are routine), as prescribed by the resident's attending physician.
  - Additional housekeeping services.
  - Guest accommodations, if available.
  - Guest meals.
  - Personal transportation and transportation for special events and group trips.
  - Community Health Center services (including assisted living, memory care, nursing care, and the services of the Clinic).
  - Wireless internet.
  - Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, etc.).

3. The Community Health Center is the portion of the Community which is licensed to provide three levels of care: assisted living care, memory care, and nursing. The Community Health Center is staffed by licensed nursing personnel 24 hours a day. If the resident occupies the Community Health Center, the resident will be required to enter into a separate admission agreement for the applicable level of care. These separate admission agreements will outline in detail the services available in those levels of care. The resident's continuing care Residency Agreement will continue to stay in effect unless it is canceled by the Resident or by UMRH as outlined in the Residency Agreement. Services provided in the Health Center are governed by the North Carolina Division of Health Service Regulation.

4. The Health Center Clinic is available for certain examinations, consultations, tests and appointments. Such services will be at an extra charge to the resident.

5. In the event resident needs additional services, he/she may obtain these needed services from a private employee, an independent contractor, or through an agency at the resident's expense. The Community has adopted a personal service provider policy, which sets forth certain requirements and rules of conduct that govern personal service providers.

#### **FEES**

1. The fee requirements for living in an apartment or cottage at the Community are as follows:

1.1 Application Fee. Non-refundable application fee of \$250 for an individual or \$350 for a couple is required to be paid at the time of application.

1.2 Entrance Fee. Payment of an Entrance Fee assures a resident a place in the Community for life as long as the resident complies with the Residency Agreement. At the time the resident makes application for residency at the Community, the resident will sign a Residency Agreement to reserve the residence selected and will pay an Entrance Fee deposit to the Community. The balance of the Entrance Fee will be paid upon the earlier of (i) occupancy or (ii) 90 days after the Residency Agreement is executed. For residents who enter

a Residency Agreement for a cottage to be constructed, the balance of the Entrance Fee will be paid in incremental percentages on set dates with the remaining balance paid on the earlier of (i) occupancy or (ii) 30 days from the date that the resident is notified that the residence is ready for occupancy. The amount of the Entrance Fee is determined by single or double occupancy and the size and type of the apartment or cottage reserved. A schedule of Entrance Fees can be found later in this Disclosure Statement. Additional information regarding payment terms and Entrance Fee refunds can be found in Sections 2 and 3 of The Proposal section of this Disclosure Statement.

1.3 Monthly Fee. A Monthly Fee for services is required to be paid each month per person. Monthly Fees are determined by single or double occupancy and the size and type of residence reserved. Following is a table showing the average dollar amount of increase in the Monthly Fees. A table that outlines historical and current Monthly Fees can be found later in this Disclosure Statement.

Monthly Fees – Average Dollar Amount of Increase

2015	2016	2017	2018	2019
\$97.29	\$143.05	\$79.77	\$116.22	\$120.64

1.4 Extra Charges. A list of items available for an extra charge, including the fees for such items, is included in this Disclosure Statement as Attachment 7. The list can also be obtained from the Community's Business Office and the Marketing Office.

2. Assisted Living Fees. The fee requirements for direct admission to an assisted living room at the Community have been established at \$237.02 per day for semi-private room and \$256.71 per day for a private room, with a refundable Entrance Fee of \$15,000 per person (after 50 months of occupancy, the Entrance Fee is non-refundable). There is a non-refundable application fee of \$250 per individual or \$350 for a couple. Following is a table showing the average dollar amount of increase in the assisted living fees.

Assisted Living Fees – Average Dollar Amount of Increase

2015	2016	2017	2018	2019
\$7.23	\$8.24	\$8.33	\$8.07	\$8.35

3. Memory Care Fees. The fee requirements for direct admission to a memory care room at the Community have been established at \$269.98 per day for a private room, with a refundable Entrance Fee of \$15,000 per person (after 50 months of occupancy, the Entrance Fee is non-refundable). There is a non-refundable application fee of \$250 per individual or \$350 for a couple. Following is a table showing the average dollar amount of increase in the memory care fees.

Memory Care Fees – Average Dollar Amount of Increase

2015	2016	2017	2018	2019
\$7.91	\$9.01	\$9.11	\$8.82	\$9.13

4. Nursing Care Fees. The per diem charges for nursing care in the Community's Health Center have been established at \$289.25 for a semi-private room and \$308.91 for a private room. Following is a table showing the average dollar amount of increase in the nursing care fees.

Nursing Care Fees – Average Dollar Amount of Increase

2015	2016	2017	2018	2019
\$8.76	\$9.98	\$10.09	\$9.77	\$10.12

5. Adjustment of Fees. UMRH may adjust the Monthly Fee as determined by the Board of Trustees in order to maintain the desired quality of service and to operate the Community on a fiscally sound basis. The Community shall provide the resident with thirty (30) days' written notice in advance of any change in the Monthly Fees.

**FEE SCHEDULE  
FOR  
APARTMENTS AND COTTAGES**

**ENTRANCE FEES**

Type	10/13-09/14				10/14-09/15			
	Standard	50%	80%	90%	Standard	50%	80%	90%
<b><i>Apartments - A &amp; B Wings</i></b>								
Studio	\$18,228	\$25,520	\$30,988	\$35,089	\$18,593	\$26,031	\$31,609	\$35,792
Single	22,190	31,066	37,723	42,716	22,634	31,688	38,478	43,571
Deluxe Single	31,619	44,267	53,753	60,867	32,251	45,152	54,827	62,084
Deluxe Studio	36,455	51,037	61,974	70,176	37,184	52,058	63,213	71,580
Combination	37,090	51,926	63,053	71,399	38,345	53,683	65,187	73,815
Deluxe Suite	44,378	62,130	75,443	85,428	45,266	63,373	76,953	87,138
One Bedroom Main	45,965	64,351	78,141	88,483	46,884	65,638	79,703	90,252
One Bedroom Suite	55,078	77,110	93,633	106,026	56,180	78,652	95,506	108,147
Two Bedroom Suite	66,570	93,198	113,169	128,148	67,901	95,062	115,432	130,710
Two Bedroom Deluxe Suite	66,570	93,198	113,169	128,148	67,901	95,062	115,432	130,710
One Bedroom Den Main	68,963	96,549	117,238	132,754	70,342	98,479	119,582	135,409
Two Bedroom Main Grand	83,673	117,143	142,245	161,071	85,347	119,486	145,090	164,293
Second Person Fee	8,160	11,424	13,872	15,708	8,323	11,653	14,150	16,022
<b><i>Apartments - D Wing</i></b>								
One Bedroom	87,978	123,170	149,563	169,358	89,738	125,632	152,553	172,744
One Bedroom Deluxe	92,742	129,839	157,662	178,529	94,597	132,436	160,815	182,100
Two Bedroom	115,206	161,289	195,851	221,772	117,510	164,514	199,767	226,207
Two Bedroom Deluxe	133,437	186,812	226,843	256,867	136,105	190,547	231,379	262,003
Three Bedroom	137,545	192,563	233,827	264,775	140,296	196,415	238,504	270,070
Three Bedroom Special/Deluxe	152,701	213,782	259,592	293,950	155,755	218,057	264,784	299,829
Second Person Fee	8,160	11,424	13,872	15,708	8,323	11,653	14,150	16,022
<b><i>Apartments - East/West Wings</i></b>								
One Bedroom Alcove	93,137	130,392	158,333	179,289	94,999	132,999	161,499	182,874
One Bedroom	98,496	137,895	167,444	189,605	100,466	140,653	170,793	193,398
One Bedroom Den	108,827	152,358	185,006	209,492	111,004	155,406	188,707	213,683
Two Bedroom	125,524	175,734	213,391	241,634	128,034	179,248	217,658	246,466
Two Bedroom Bay	146,878	205,630	249,693	282,741	149,816	209,743	254,688	288,396
Two Bedroom Greatroom	165,520	231,728	281,384	318,626	168,830	236,362	287,011	324,998
Second Person Fee	8,160	11,424	13,872	15,708	8,323	11,653	14,150	16,022
<b><i>Cottages</i></b>								
The Alder	186,676	261,347	317,350	359,352	186,676	261,347	317,350	359,352
The Birch	168,194	235,472	285,930	323,774	168,194	235,472	285,930	323,774
The Cypress	163,981	229,574	278,768	315,664	163,981	229,574	278,768	315,664
The Dogwood	129,867	181,814	220,774	249,994	129,867	181,814	220,774	249,994
The Elm	220,451	308,632	374,767	424,369	220,451	308,632	374,767	424,369
The Evergreen	239,506	335,309	407,161	461,050	239,506	335,309	407,161	461,050
The Willow	222,506	311,509	378,261	428,325	222,506	311,509	378,261	428,325
Second Person Fee	8,160	11,424	13,872	15,708	8,160	11,424	13,872	15,708

**ENTRANCE FEES CONTINUED**

Type	10/15-09/16				10/16-09/17			
	Standard	50%	80%	90%	Standard	50%	80%	90%
<b><i>Apartments - A &amp; B Wings</i></b>								
Studio	\$18,965	\$26,551	\$32,241	\$36,508	\$19,344	27,082	32,885	37,237
Single	23,087	32,322	39,248	44,442	23,549	32,969	40,033	45,332
Deluxe Single	32,896	46,055	55,924	63,325	33,554	46,976	57,042	64,591
Deluxe Studio	37,928	53,099	64,478	73,011	38,687	54,162	65,798	74,472
Combination	39,112	54,757	66,491	75,291	39,894	55,852	67,820	76,796
Deluxe Suite	46,171	64,640	78,492	88,880	47,094	65,932	80,060	90,656
One Bedroom Main	47,822	66,951	81,297	92,057	48,778	68,289	82,923	93,898
One Bedroom Suite	57,304	80,226	97,417	110,310	58,450	81,830	99,365	112,516
Two Bedroom Suite	69,259	96,963	117,741	133,324	70,644	98,902	120,095	135,990
Two Bedroom Deluxe Suite	69,259	96,963	117,741	133,324	70,644	98,902	120,095	135,990
One Bedroom Den Main	71,749	100,449	121,974	138,117	73,184	102,458	124,413	140,879
Two Bedroom Main Grand	87,054	121,876	147,992	167,579	88,795	124,313	150,952	170,930
Second Person Fee	8,489	11,886	14,433	16,343	8,659	12,123	14,721	16,668
<b><i>Apartments - D Wing</i></b>								
One Bedroom	91,533	128,146	155,606	176,201	93,364	130,710	158,719	179,726
One Bedroom Deluxe	96,489	135,085	164,032	185,742	98,419	137,787	167,312	189,457
Two Bedroom	119,860	167,805	203,763	230,731	122,257	171,160	207,837	235,345
Two Bedroom Deluxe	138,827	194,358	236,007	267,243	141,604	198,246	240,727	272,588
Three Bedroom	143,102	200,343	243,274	275,472	145,964	204,350	248,139	280,981
Three Bedroom Special/Deluxe	158,870	222,419	270,080	305,825	162,047	226,866	275,480	311,940
Second Person Fee	8,489	11,886	14,433	16,343	8,659	12,123	14,721	16,668
<b><i>Apartments - East/West Wings</i></b>								
One Bedroom Alcove	96,899	135,659	164,729	186,531	98,837	138,372	168,023	190,261
One Bedroom	102,475	143,466	174,209	197,265	104,525	146,335	177,693	201,211
One Bedroom Den	113,224	158,514	192,481	217,957	115,488	161,683	196,330	222,314
Two Bedroom	130,595	182,833	222,011	251,395	133,207	186,490	226,452	256,423
Two Bedroom Bay	152,812	213,938	259,781	294,164	155,868	218,215	264,976	300,046
Two Bedroom Greatroom	172,207	241,090	292,752	331,498	175,651	245,911	298,607	338,128
Second Person Fee	8,489	11,886	14,433	16,343	8,659	12,123	14,721	16,668
<b><i>Cottages</i></b>								
The Alder	186,676	261,347	319,350	359,352	179,496	251,294	305,143	345,530
The Birch	168,194	235,472	285,930	323,774	156,846	219,584	266,638	301,929
The Cypress	163,981	229,574	278,768	315,664	157,674	220,744	268,046	303,522
The Dogwood	129,867	181,814	220,774	249,994	124,871	174,819	212,281	240,377
The Elm	220,451	308,632	374,767	424,369	211,971	296,759	360,351	408,044
The Evergreen	239,506	335,309	407,161	461,050	230,294	322,412	391,500	443,316
The Willow	222,506	311,509	378,261	428,325	222,507	311,509	378,261	428,325
Second Person Fee	8,323	11,653	14,150	16,022	8,659	12,123	14,720	16,669

**ENTRANCE FEES CONTINUED**

Type	10/17-09/18				10/18-09/19			
	Standard	50%	80%	90%	Standard	50%	80%	90%
<b><i>Apartments - A &amp; B Wings</i></b>								
Studio	\$19,731	27,624	33,543	37,983	\$20,126	28,176	34,214	38,742
Single	24,020	33,628	40,834	46,238	24,500	34,300	41,651	47,163
Deluxe Single	34,225	47,915	58,182	65,883	34,909	48,873	59,346	67,202
Deluxe Studio	39,460	55,244	67,082	75,961	40,249	56,349	68,424	77,480
Combination	40,692	56,969	69,177	78,332	41,506	58,108	70,560	79,899
Deluxe Suite	48,036	67,251	81,662	92,470	48,997	68,596	83,295	94,319
One Bedroom Main	49,754	69,656	84,582	95,776	50,749	71,049	86,273	97,692
One Bedroom Suite	59,619	83,467	101,352	114,767	60,811	85,136	103,379	117,062
Two Bedroom Suite	72,057	100,880	122,497	138,710	73,498	102,897	124,947	141,484
Two Bedroom Deluxe Suite	72,057	100,880	122,497	138,710	73,498	102,897	124,947	141,484
One Bedroom Grand	74,648	104,507	126,902	143,697	76,141	106,597	129,440	146,571
One Bedroom Den Main	74,648	104,507	126,901	143,697	76,141	106,597	129,440	146,571
One Bedroom Flex	82,106	114,948	139,580	158,054	83,748	117,247	142,372	161,215
Two Bedroom Main Grand	90,571	126,799	153,971	174,349	92,382	129,335	157,050	177,836
Second Person Fee	8,746	12,244	14,868	16,836	8,921	12,489	15,165	17,173
<b><i>Apartments - D Wing</i></b>								
One Bedroom	95,231	133,323	161,893	183,320	97,136	135,990	165,131	186,986
One Bedroom Deluxe	100,387	140,542	170,658	193,245	102,395	143,353	174,072	197,110
Two Bedroom	124,702	174,583	211,994	240,052	127,196	178,075	216,234	244,853
Two Bedroom Deluxe	144,436	202,210	245,541	278,039	147,324	206,254	250,451	283,599
Three Bedroom	148,883	208,437	253,102	286,600	151,861	212,605	258,164	292,332
Three Bedroom Special/Deluxe	165,288	231,404	280,990	318,180	168,594	236,032	286,609	324,544
Second Person Fee	8,746	12,244	14,868	16,836	8,921	12,489	15,165	17,173
<b><i>Apartments - East/West Wings</i></b>								
One Bedroom Alcove	100,814	141,139	171,383	194,066	102,830	143,962	174,811	197,948
One Bedroom	106,615	149,261	181,245	205,234	108,747	152,246	184,870	209,339
One Bedroom Den	117,798	164,918	200,257	226,762	120,154	168,216	204,261	231,297
Two Bedroom	135,871	190,219	230,981	261,552	138,588	194,024	235,600	266,783
Two Bedroom Bay	158,986	222,580	270,276	306,047	162,165	227,031	275,681	312,168
Two Bedroom Greatroom	179,164	250,830	304,579	344,891	182,747	255,846	310,671	351,789
Second Person Fee	8,746	12,244	14,868	16,836	8,921	12,489	15,165	17,173
<b><i>Cottages</i></b>								
The Alder	183,085	256,319	311,245	352,439	186,747	261,446	317,470	359,487
The Birch	159,983	223,976	271,971	307,967	163,183	228,456	277,411	314,126
The Cypress	160,827	225,158	273,406	309,592	164,044	229,661	278,874	315,785
The Dogwood	127,369	178,317	216,527	245,185	129,916	181,883	220,858	250,089
The Elm	216,211	302,695	367,559	416,206	220,535	308,749	374,909	424,530
The Evergreen	234,899	328,859	399,328	452,181	239,597	335,436	407,316	461,224
The Willow	236,125	330,575	401,413	454,541	240,848	337,187	409,442	463,632
Second Person Fee	8,746	12,244	14,868	16,836	8,921	12,489	15,165	17,173

**PROPOSED ENTRANCE FEES  
FOR  
FACILITY DEVELOPMENT/ EXPANSION**

	<b>Standard</b>	<b>50% ROC</b>	<b>80% ROC</b>	<b>90% ROC</b>
<b>Cottages</b>				
Hawthorn	\$237,150	\$332,010	\$403,155	\$456,514
Oak	292,950	410,130	498,015	563,929
<b>Villas</b>				
Hawthorn	221,850	310,590	377,145	427,061
Magnolia	247,660	346,724	421,022	476,746
Oak	270,425	378,595	459,723	520,568
Second Person Fee	8,746	12,244	14,868	16,836

FEE SCHEDULE  
FOR  
APARTMENTS AND COTTAGES

**MONTHLY FEES**

Type	10/13 – 09/14	10/14 – 09/15	10/15- 09/16	10/16- 09/17	10/17- 09/18	10/18- 09/19
<b><i>Apartments - A &amp; B Wings</i></b>						
Studio	\$1,558.64	\$1,613.19	\$1,675.30	\$1,738.12	\$1,803.30	\$1,870.92
Single	1,637.83	1,695.15	1,760.41	1,826.43	1,894.92	1,965.98
Deluxe Single	2,045.18	2,116.76	2,198.26	2,280.69	2,366.22	2,454.95
Deluxe Studio	2,163.38	2,239.10	2,325.31	2,412.51	2,502.98	2,596.84
Combination	2,205.84	2,283.04	2,370.94	2,459.85	2,552.09	2,647.79
Deluxe Suite	2,325.17	2,406.55	2,499.20	2,592.92	2,690.15	2,791.03
One Bedroom Main	2,364.18	2,446.93	2,541.14	2,636.43	2,735.30	2,837.87
One Bedroom Suite	2,377.95	2,461.18	2,555.94	2,651.79	2,751.23	2,854.40
Two Bedroom Suite	2,490.42	2,577.58	2,676.82	2,777.20	2,881.35	2,989.40
One Bedroom Grand	---	---	---	---	2,814.97	2,920.53
Two Bdrm Deluxe Suite	2,490.42	2,577.58	2,676.82	2,777.20	2,881.35	2,989.40
One Bedroom Den Main	2,490.13	2,577.28	2,676.51	2,776.88	2,881.01	2,989.05
One Bedroom Flex	---	---	---	---	2,905.00	3,013.94
Two Bedroom Main Grand	2,605.16	2,696.34	2,800.15	2,905.16	3,014.10	3,127.13
Second Person Fee	909.13	940.95	977.18	1,013.82	1,051.84	1,091.28
<b><i>Apartments - D Wing</i></b>						
One Bedroom	2,379.11	2,462.38	2,557.18	2,653.07	2,752.56	2,855.78
One Bedroom Deluxe	2,404.42	2,488.57	2,584.38	2,681.29	2,781.84	2,886.16
Two Bedroom	2,701.87	2,796.44	2,904.10	3,013.00	3,125.99	3,243.21
Two Bedroom Deluxe	3,099.95	3,208.45	3,331.98	3,456.93	3,586.56	3,721.06
Three Bedroom	3,298.26	3,413.70	3,545.13	3,678.07	3,815.00	3,959.10
Three Bedroom Spec/Delx	3,496.55	3,618.93	3,758.26	3,899.19	4,045.41	4,197.11
Second Person Fee	909.13	940.95	977.18	1,013.82	1,051.84	1,091.28
<b><i>Apartments - East/West Wings</i></b>						
One Bedroom Alcove	2,387.13	2,470.68	2,565.80	2,662.02	2,761.85	2,865.42
One Bedroom	2,403.76	2,487.89	2,583.67	2,680.56	2,781.08	2,885.37
One Bedroom Den	2,551.76	2,641.07	2,742.75	2,845.60	2,952.31	3,063.02
Two Bedroom	2,714.18	2,809.18	2,917.33	3,026.73	3,140.23	3,257.99
Two Bedroom Bay	3,297.33	3,412.74	3,544.13	3,677.03	3,814.92	3,957.98
Two Bedroom Greatroom	3,543.40	3,667.42	3,808.62	3,951.44	4,099.62	4,253.36
Second Person Fee	909.13	940.95	977.18	1,013.82	1,051.84	1,091.28
<b><i>Cottages</i></b>						
The Alder	3,595.72	3,721.57	3,865.00	4,009.78	4,160.15	4,316.16
The Birch	3,446.23	3,566.85	3,704.00	3,843.08	3,987.20	4,136.72
The Cypress	3,298.26	3,413.70	3,545.00	3,678.07	3,816.00	3,959.10
The Dogwood	2,670.78	2,764.26	2,871.00	2,978.33	3,090.02	3,205.90
The Elm	3,896.11	4,032.47	4,188.00	4,344.76	4,507.69	4,676.73
The Evergreen	4,260.18	4,409.29	4,579.00	4,750.76	4,928.91	5,113.74
The Willow	3,975.27	4,114.40	4,273.00	4,433.00	4,599.27	4,771.74
Second Person Fee	909.13	940.95	977.18	1,013.82	1,051.84	1,091.28



**PROPOSED MONTHLY FEES  
FOR  
FACILITY DEVELOPMENT/ EXPANSION**

<b>Cottages</b>	
Hawthorn	\$3,856.00
Oak	4,631.00
<b>Villas</b>	
Hawthorn	3,856.00
Magnolia	4,236.00
Oak	4,569.00
Second Person Fee	1,051.84

## FINANCIAL INFORMATION

1. Financial Statements. UMRH operates on a fiscal year ending September 30. The financial position of UMRH is represented by the independent auditors' report prepared by Dixon Hughes Goodman LLP. The audited financial statements for UMRH present the consolidated operations for Croasdaile Village, Cypress Glen and Wesley Pines (continuing care retirement communities owned by UMRH located in North Carolina). The independent auditors' reports for the fiscal year ending September 30, 2018 for UMRH is reproduced in its entirety and is attached to this Disclosure Statement as Attachment 1.

2. Forecasted Financial Statements. Forecasted financial statements for the next five years are included as part of this Disclosure Statement as Attachment 2. These forecasted financial statements present the consolidated operations of Croasdaile Village, Cypress Glen and Wesley Pines and the individual operations for Cypress Glen.

3. Interim Unaudited Financial Statements. Interim unaudited financial statements are included as part of this Disclosure Statement as Attachment 3. These statements present the consolidated operations of Croasdaile Village, Cypress Glen and Wesley Pines and the individual operations for Cypress Glen.

4. Explanations of Material Differences. Explanations of the material differences for the Balance Sheet, Statement of Operations, and Statement of Cash Flows for the fiscal year 2018 and the actual results for the fiscal year 2018 are included as part of this Disclosure Statement as Attachment 4.

5. Reserves. In accordance with Section 58-64-33 of the North Carolina General Statutes, UMRH is required to maintain an operating reserve for the Community equal to 25 percent of the total operating costs projected for the 12-month period following the period covered by the most recent annual statement filed with the Department of Insurance. Based on the operating reserve calculation submitted to the Department of Insurance, UMRH meets the operating reserve requirement for the Community.

6. Financing. See Notes 7 and 8 of the UMRH audited financial statements for information on long-term debt and financing.

## RESERVES AND INVESTMENTS

1. Reserve Requirement. In accordance with Section 58-64-33, North Carolina General Statutes, UMRH is required to maintain \$3,266,279 in an operating reserve for the Community. UMRH meets the operating reserve requirement for the Community, and management believes that UMRH will continue to possess sufficient reserves to satisfy the operating reserve requirement based on the financial forecasts.

2. Financial Assistance Funds. UMRH attempts to provide benevolent care funds to those individuals who have exhausted their resources. The funds are in the amounts necessary to make up the difference between the financial resources of the individual and the Monthly Fees for the occupancy of a unit. Some of the benevolence is covered through apportionments from the North

Carolina Annual Conference of The United Methodist Church, Southeastern Jurisdiction; benevolent care endowments; The United Methodist Retirement Homes Foundation; special offerings conducted by local churches; and individual gifts. Persons receiving benevolent care funds must be residents who have entered the Community under a continuing care residency agreement for residential living and must have met all "spend-down" provisions established in the UMRH Benevolence Policy. UMRH does not offer benevolent care funds to those residents who are admitted directly to assisted living or memory care as private pay residents. Private pay residents are individuals who did not execute continuing care residency agreement for residential living. The resident must agree to apply for public assistance funds, if available, and/or Medicaid if the Community's Health Center becomes Medicaid certified. Benevolent care funds are available as long as providing such funds do not impair UMRH's ability to operate the Community on a sound financial basis for the benefit of all residents.

The Marketing, Occupancy, and Benevolence Committee of the Board of Trustees reviews each benevolence application, provides a recommendation to the Board of Trustees, monitors the availability of benevolent funds, and projects potential future demands on benevolent funds.

3. Investment Policy. Investment decisions are made by the Finance Committee of the Board of Trustees of UMRH. Committee members include: John Grissom, Michael Hardin, John Link, Paul Lee, Barbara Pray, Artie Roberts, and Tom Steele. Funds are invested in accordance with UMRH's Investment Policy in the following investment portfolios:

(a) *United Methodist Retirement Homes Trust Fund #1. Investment Goal* – Maintain principal values with adequate liquidity for debt/cash ratio.

(b) *United Methodist Retirement Home Reserve Fund. Investment Goal* – This Fund includes assets that may be managed for long-term capital growth with a moderate level of income.

A copy of the Investment Policy is available to residents upon request.

## **OTHER MATERIAL INFORMATION**

As of the date of this Disclosure Statement, there is no material litigation pending against the Community.

## **AGREEMENTS WITH RESIDENTS**

Copies of the current Residency Agreements (listed below) for the Community are attached to this Disclosure Statement as Attachment 5:

- Standard Residency Agreement
- 50 Percent Return of Capital Residency Agreement
- 80 Percent Return of Capital Residency Agreement
- 90 Percent Return of Capital Residency Agreement
- Standard Residency Agreement (For Cottage to be Constructed)\*
- 50 Percent Return of Capital Residency Agreement (For Cottage to be Constructed)\*
- 80 Percent Return of Capital Residency Agreement (For Cottage to be Constructed)\*
- 90 Percent Return of Capital Residency Agreement (For Cottage to be Constructed)\*

\*- For Cottage or Villa

These agreements are in compliance with the pertinent specifications of Section 58-64-25 of the North Carolina General Statutes. UMRH reserves the right to offer to new prospective residents alternative forms of agreements from time to time.

# **ATTACHMENT 1**

**Audited Financial Statements  
for  
The United Methodist  
Retirement Homes, Incorporated  
(Includes Consolidated Operations of  
Croasdaile Village, Cypress Glen  
and Wesley Pines)**

# **The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**

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**Consolidated Financial Statements and  
Supplemental Schedules**

**Years Ended September 30, 2018 and 2017**



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## **Independent Auditors' Report**

Board of Trustees of  
The United Methodist Retirement Homes, Incorporated,  
its Affiliate, and Subsidiary

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

We have audited the accompanying consolidated financial statements of The United Methodist Retirement Homes, Incorporated, its Affiliate, and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of September 30, 2018 and 2017, and the related consolidated statements of operations, and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 25 - 26 is presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual organizations and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Dixon Hughes Goodman LLP*

**Raleigh, North Carolina  
January 15, 2019**

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Consolidated Balance Sheets**  
**September 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 1,974,056	\$ 3,409,208
Contributions receivable, current portion	144,314	58,981
Investments	64,417,206	62,383,359
Assets limited as to use, current portion	1,930,588	1,251,753
Accounts receivable, net of allowance for uncollectible accounts of approximately \$405,000 and \$274,000 in 2018 and 2017, respectively	2,521,774	2,762,091
Other receivables	2,580,952	1,190,224
Inventories	120,403	126,684
Prepaid expenses and other current assets	<u>1,009,988</u>	<u>690,194</u>
Total current assets	<u>74,699,281</u>	<u>71,872,494</u>
Non-current assets:		
Assets limited as to use, net of current portion	83,173,596	22,136,661
Investments - restricted	5,661,990	5,248,719
Assets held for resale	213,802	209,484
Property and equipment, net	164,137,763	137,847,509
Trusts receivable	191,354	185,282
Contributions receivable, net of current portion	153,637	53,591
Deferred marketing costs, net	-	277,951
Interest rate swap agreement	<u>243,412</u>	<u>-</u>
Total non-current assets	<u>253,775,554</u>	<u>165,959,197</u>
Total assets	<u>\$ 328,474,835</u>	<u>\$ 237,831,691</u>

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Consolidated Balance Sheets**  
**September 30, 2018 and 2017**

**(Continued)**

	<u>2018</u>	<u>2017</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Annuity payable, current portion	\$ 83,783	\$ 81,379
Bonds payable, current portion	3,075,000	4,000,000
Accounts payable	5,569,331	3,773,773
Accrued salaries and related expenses	2,228,387	2,198,760
Accrued interest payable	2,848,189	1,065,153
Total current liabilities	<u>13,804,690</u>	<u>11,119,065</u>
Long-term liabilities:		
Annuity payable, less current portion	303,475	414,948
Bonds payable, less current portion	169,506,514	90,052,524
Liability to other foundations	8,843	8,487
Liability for refundable advance fees	10,650,267	10,843,592
Deferred revenue from non-refundable advance fees	56,298,961	53,327,513
Due to related parties	67,748	63,853
Funds held for others	234,068	106,384
Interest rate swap agreement	-	225,187
Total long-term liabilities	<u>237,069,876</u>	<u>155,042,488</u>
Total liabilities	<u>250,874,566</u>	<u>166,161,553</u>
Net assets:		
Unrestricted	68,660,681	63,920,032
Temporarily restricted	5,060,284	3,999,625
Permanently restricted	3,879,304	3,750,481
Total net assets	<u>77,600,269</u>	<u>71,670,138</u>
Total liabilities and net assets	<u>\$ 328,474,835</u>	<u>\$ 237,831,691</u>

See accompanying notes to the consolidated financial statements.

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Consolidated Statements of Operations and Changes in Net Assets**  
**Years Ended September 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Unrestricted revenues, gains and other support:		
Net resident and patient service revenue	\$ 56,541,413	\$ 53,741,924
Amortization of advance fees	7,477,741	7,668,229
Net assets released from restrictions	359,162	314,365
Other	32,928	26,956
Interest and dividend income	2,234,654	2,005,108
	<u>66,645,898</u>	<u>63,756,582</u>
Total revenues, gains and other support		
	<u>66,645,898</u>	<u>63,756,582</u>
Expenses:		
Nursing services	15,446,066	14,846,904
Dietary and food services	8,763,960	8,388,502
Administration	9,407,364	8,940,663
Plant operations, maintenance and security	5,794,000	5,497,268
Laundry and housekeeping	3,046,703	3,031,748
Resident services - activities	2,421,014	2,172,923
Home care	3,107,542	2,597,289
Interest	3,447,263	3,084,155
Depreciation and amortization	9,582,399	8,734,879
Bad debt expense	272,863	172,314
	<u>61,289,174</u>	<u>57,466,645</u>
Total expenses		
	<u>61,289,174</u>	<u>57,466,645</u>
Operating income	<u>5,356,724</u>	<u>6,289,937</u>
Non-operating gains (losses):		
Interest and dividend income	18,422	-
Net investment gains, realized	379	471,404
Net investment gains, unrealized	488,431	4,020,645
Loss on disposal of property and equipment	(337,915)	(175,884)
Contributions	29,134	102,030
Loss on extinguishment of debt	(1,356,603)	-
Change in fair value of interest rate swap agreement	468,599	680,296
Other	(104,865)	(5,981)
	<u>(794,418)</u>	<u>5,092,510</u>
Net non-operating gains (losses)		
	<u>(794,418)</u>	<u>5,092,510</u>
Excess of revenues, gains and other support over expenses	4,562,306	11,382,447
Net assets released from restrictions for purchase of property and equipment	178,343	29,862
	<u>178,343</u>	<u>29,862</u>
Change in unrestricted net assets	<u>\$ 4,740,649</u>	<u>\$ 11,412,309</u>

See accompanying notes to the consolidated financial statements.

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Consolidated Statements of Operations and Changes in Net Assets**  
**Years Ended September 30, 2018 and 2017**

**(Continued)**

	<u>2018</u>	<u>2017</u>
Change in temporarily restricted net assets:		
Contributions	\$ 870,382	\$ 449,010
Interest and dividend income	164,239	126,867
Net investment gains, realized	13,130	940,707
Net investment gains (losses), unrealized	327,059	(451,267)
Change in split interest agreement	37,975	18,633
Change in value of pledges	208,179	56,238
Bad debt expense	(22,800)	(6,273)
Net assets released from restrictions	<u>(537,505)</u>	<u>(344,227)</u>
Change in temporarily restricted net assets	<u>1,060,659</u>	<u>789,688</u>
Change in permanently restricted net assets:		
Contributions	23,176	13,946
Change in split interest agreement	<u>105,647</u>	<u>42,095</u>
Change in permanently restricted net assets	<u>128,823</u>	<u>56,041</u>
Change in net assets	5,930,131	12,258,038
Net assets, beginning of year	<u>71,670,138</u>	<u>59,412,100</u>
Net assets, end of year	<u>\$ 77,600,269</u>	<u>\$ 71,670,138</u>

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Consolidated Statements of Cash Flows**  
**Years Ended September 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 5,930,131	\$ 12,258,038
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	9,582,399	8,734,879
Amortization of deferred financing costs	77,522	91,447
Amortization of bond premium	(271,335)	(202,953)
Amortization of deferred revenue from advance fees	(7,477,741)	(7,668,229)
Non-refundable entrance fees received	11,511,031	13,306,378
Bad debt expense	272,863	172,314
Loss on disposal of property and equipment	337,915	175,884
Loss on early extinguishment of debt	1,356,603	-
Unrealized gains on assets limited as to use	(815,490)	(3,569,378)
Realized gains on assets limited as to use	(13,509)	(1,412,111)
Change in fair value of swap agreement	(468,599)	(680,296)
Net change in:		
Accounts receivable - residents and patients	(32,546)	(316,590)
Accounts receivable - other	(1,830,455)	(748,541)
Trusts receivable	(6,072)	306
Contributions receivable	(185,379)	(49,965)
Due from/to related parties	3,895	3,621
Inventories	6,281	13,814
Prepaid expenses and other current assets	(319,794)	348,650
Accounts payable	449,906	2,436,205
Accrued salaries and related expenses	29,627	217,555
Liability to other foundations	356	5,722
Accrued interest payable	1,783,036	274,156
Funds held for others	127,684	43,313
	<u>20,048,329</u>	<u>23,434,219</u>
Net cash provided by operating activities		

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Consolidated Statements of Cash Flows**  
**Years Ended September 30, 2018 and 2017**

**(Continued)**

	<u>2018</u>	<u>2017</u>
Cash flows from investing activities:		
Purchase of property and equipment	\$ (34,851,890)	\$ (15,827,625)
Net change in investments and assets limited as to use	(63,333,889)	(3,409,690)
Change in assets held for resale	(4,318)	(158,815)
	<u>(98,190,097)</u>	<u>(19,396,130)</u>
Cash flows from financing activities:		
Refunds of deposits and refundable fees	(2,360,336)	(3,694,469)
Refundable entrance fees received	1,544,896	1,422,094
Payments on bonds and note payable	(33,133,488)	(3,905,000)
Deferred costs, net	(1,666,294)	(363,638)
Proceeds from issuance of bonds	112,430,907	4,886,273
Net change in annuity obligations	(109,069)	(34,290)
	<u>76,706,616</u>	<u>(1,689,030)</u>
Change in cash	(1,435,152)	2,349,059
Cash, beginning of year	<u>3,409,208</u>	<u>1,060,149</u>
Cash, end of year	<u>\$ 1,974,056</u>	<u>\$ 3,409,208</u>
Supplemental cash flow information:		
Cash paid during the year for interest	<u>\$ 3,113,772</u>	<u>\$ 2,914,807</u>
Additions of property and equipment included in accounts payable	<u>\$ 3,446,720</u>	<u>\$ 2,101,068</u>

## **Notes to Consolidated Financial Statements**

### **1. Summary of Significant Accounting Policies**

#### ***Organization***

The United Methodist Retirement Homes, Incorporated (“UMRH”) is a not-for-profit corporation, which principally provides housing, health care, and other related services to residents through the ownership and operation of Wesley Pines Retirement Company in Lumberton, North Carolina, Cypress Glen Retirement Community (“Cypress Glen”) in Greenville, North Carolina, and Croasdaile Village in Durham, North Carolina. UMRH was incorporated in North Carolina in 1946. UMRH’s corporate office is located in Durham, North Carolina.

The United Methodist Retirement Homes Foundation, Inc. (the “Foundation”), an affiliate of UMRH, is a not-for-profit corporation which was organized in order to raise endowment funds for the residential facilities operated by UMRH, to support benevolent care for those residents who are unable to pay for continuing care at the residential facilities operated by UMRH, and to support special programs at the residential facilities operated by UMRH. The Foundation was incorporated under the laws of the State of North Carolina in 1994.

UMRH Affordable Housing Development, LLC (“UMRH-AHD”), a subsidiary of UMRH, is a limited liability company, which was organized in North Carolina in 2002 to further the charitable purposes of UMRH by developing affordable rental housing for senior citizens. UMRH is the sole member of UMRH-AHD.

The consolidated financial statements include the financial statements of UMRH, the Foundation, and UMRH-AHD. All significant intercompany accounts and transactions have been eliminated. UMRH, the Foundation, and UMRH-AHD are collectively referred to as the “Company”.

#### ***Basis of Accounting and Presentation***

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

#### ***Cash***

Short-term investments presented as investments in the consolidated balance sheets are not considered cash equivalents since the Company considers them part of their investing activities. Throughout the year the Company has bank balances which exceed federal depository limits.

#### ***Contributions Receivable***

Unconditional promises to give cash and other assets to the Company are reported at discounted present values at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at discounted present value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions.

#### ***Investments***

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Interest and dividend income is included in operating income unless the income or loss is restricted by donor or law. Gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating gains (losses).



## **The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary Notes to Consolidated Financial Statements**

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### ***Assets Limited as to Use***

Assets limited as to use consist of funds held for debt service in accordance with the Company's bond issues, funds reserved by insurance regulation, construction funds, entrance fee escrow funds and funds held for residents. Temporarily and permanently restricted net assets are restricted by donors or grantors for a specific purpose.

Insurance regulation assets whose use is limited represents funds reserved to comply with North Carolina Department of Insurance regulations. The amount of this reserve is calculated annually in accordance with the requirements of N.C. General Statute 58, Article 64. These investments consist of cash, cash equivalents and other short term investments.

### ***Fair Value of Financial Instruments***

The carrying amount of cash and cash equivalents approximates its fair value. The fair value of the Company's investments is presented in Note 2 and is based on quoted market prices. The carrying values of accounts receivable, other receivables, accounts payable, and accrued expenses approximate fair value due to the short-term nature of these instruments. The fair value of the Company's interest rate swaps is presented in Note 7. The Company's long-term debt approximates the fair values of those obligations.

### ***Accounts Receivable, net***

Accounts receivable is reported at estimated net realizable amounts from residents and responsible third-party payers. Amounts owed to the Company are reported net of allowances for uncollectible accounts. Specific resident balances are written off at the time they are determined to be uncollectible. The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. In this regard, the Company has implemented a standardized approach to estimate and review the collectibility of its receivables based on resident receivable aging trends. Historical collection and payer reimbursement experience is an integral part of the estimation process related to determining allowance for uncollectible accounts. In addition, the Company assesses the current state of its billing functions in order to identify any known collection or reimbursement issues to determine the impact, if any, on its reserve estimates, which involve judgment. Revisions in reserve estimates are recorded as an adjustment to accounts receivable. Management believes that its collection and reserve processes, along with the monitoring of its billing processes, help to reduce the risk associated with material revisions to reserve estimates resulting from adverse changes in collection, reimbursement experience and billing functions.

### ***Trusts Receivable***

Trusts receivable represent the present value of irrevocable charitable remainder unitrusts ("CRUTs") and charitable gift annuities ("CGAs"). The assets related to these CRUTs and CGAs will become the property of the designated beneficiaries upon the donor's death. An amount equal to the receivable was recorded as a permanently or temporarily restricted net asset. Adjustments to the asset to reflect changes in present value are recognized as activity through permanently or temporarily restricted net assets.

### ***Assets Held for Resale***

Assets held for resale consist of two gifted properties. One of which is stated at net book value, which approximates fair value.

### ***Property and Equipment***

Property and equipment are recorded at cost. Donated property is recorded at its estimated fair value at the date of receipt, which is then treated as cost. Interest is capitalized on facilities during the construction period. Depreciation is provided using the straight-line method over the estimated useful lives of the assets shown below:

Land improvements	15 to 30 years
Buildings and improvements	5 to 40 years
Equipment and fixtures	2 to 25 years

## **The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary Notes to Consolidated Financial Statements**

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### ***Annuity Payable***

The Foundation acts as trustee for irrevocable charitable remainder unitrusts (CRUTs), charitable gift annuities (CGAs), and charitable remainder annuity trusts ("CRATs"). The assets in these trusts will remain in trust, paying distributions to the donors during their lifetimes, and the remainder assets will become the property of the designated beneficiaries upon the donors' deaths. Such amounts received are recorded as "investments – restricted" on the consolidated balance sheets. These trusts require specified distributions to be made to the trusts' designated beneficiaries over the trusts' terms. The present value of the expected distributions is recorded as annuity obligations. Adjustments to the annuity obligations to reflect amortization of discounts, revaluations of the present value of the estimated future payments and changes in actuarial assumptions are recorded as a change in the value of split-interest agreements.

### ***Funds Held for Others***

This liability represents agency funds held in trust for UMRH residents. The related asset is included in assets limited as to use.

### ***Interest Rate Swaps***

The interest rate swap agreements are carried at fair value, estimated using a discounted cash flow method at a rate commensurate with the risk involved. A change in the fair value of the interest rate swap agreements is reported in non-operating gains (losses) in the consolidated statements of operations and changes in net assets.

### ***Liability for Refundable Advance Fees***

Optional entrance fee plans available to residents include a standard rate plan, a 50% refundable plan, 80% refundable plan, and a 90% refundable plan. The non-refundable portions of these fees are recorded as deferred revenue. The refundable portion is treated as a long-term liability. Refunds of refundable entrance fees are paid upon termination of the agreement (provided the resident's independent living unit is reoccupied) or within twenty-four months, whichever occurs first. The total amount of contractual refund obligations under existing contracts (that is, if all residents with a refundable balance were to have withdrawn) totaled approximately \$29,307,000 and \$28,396,000 at September 30, 2018 and 2017, respectively.

### ***Deferred Revenue from Non-refundable Advance Fees***

Deferred revenue from non-refundable advance fees represent payments made by a resident in exchange for the use and privileges of the community for life or until termination of the residency agreement. These advance fees may be partially refundable upon termination of the agreement and generally decline at a rate of 2% per month of occupancy and are paid after termination of the residency agreement (provided the resident's independent living unit is reoccupied) or within twenty-four months, whichever occurs first.

Advance fees are recorded as deferred revenue and recognized as revenue earned on a straight-line basis over the estimated remaining life of each resident, actuarially adjusted annually, beginning with the date of occupancy. Any unrecognized deferred revenue, less any related refund, at the date of death or termination of the contract is recorded as income in the period the death or termination of the contract occurs.

### ***Net Assets***

Net assets of the Company and changes therein are classified and reported as follows:

***Unrestricted Net Assets*** - Net assets that are not subject to donor-imposed stipulations.

***Temporarily Restricted Net Assets*** - Net assets subject to donor-imposed stipulations that may or will be met either by action of the Company and/or the passage of time.

## **The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary Notes to Consolidated Financial Statements**

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***Permanently Restricted Net Assets*** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Company. Generally, the donors of these assets permit the Company to use all or part of the income earned on related investments for general or specific purposes.

***Net Assets Released from Restrictions*** - The Company reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor-imposed restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions.

### ***Net Resident and Patient Service Revenues***

Net resident and patient service revenues are reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Historically, such adjustments for the Company have been immaterial in relation to the consolidated 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 the related services are rendered. Differences between the amounts accrued and subsequent settlements are recorded in operations in the year of settlement.

### ***Excess of Revenues, Gains and Other Support Over Expenses***

The consolidated statements of operations and changes in net assets includes excess of revenues, gains and other support over expenses. Changes in unrestricted net assets, which are excluded from excess of revenues, gains and other support over expenses, consistent with industry practice, would include unrealized gains and losses on investments other than trading securities, net assets released from restriction for purchase of property and equipment, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

### ***Benevolent Assistance***

The Company currently maintains a benevolent assistance program and policy for residents holding continuing-care residency agreements in the event the resident(s) should become unable to pay for services. The Company reserves the right to change the program and policy from time to time. The benevolent assistance policy will not apply to residents who have impaired their ability to meet financial obligations by transferring assets other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance after assuming occupancy. Upon review of each resident's individual financial situation, the Company may permit the resident to remain at the facility for a lesser fee based on the resident's ability to pay, but only after meeting all of the "spend-down" provisions of eligibility for the Medicaid program and any public assistance funds. The Company may decline new benevolent assistance applications if it is determined that deferment of such charges may impair the Company's ability to operate on a sound financial basis. Since the Company does not expect to collect the normal charges for services provided for those residents who meet the benevolent assistance provisions, charges for such assistance are not included in net patient service revenue.

## **The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary Notes to Consolidated Financial Statements**

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### ***Continuing-Care Contracts***

The Company enters into continuing-care contracts with various residents. A continuing-care contract is an agreement between a resident and the Company specifying the services and facilities to be provided to a resident over his or her remaining life. Under the contracts, the Company has the ability to increase fees as deemed necessary. At the end of each fiscal year, the Company calculates the present value of the net cost of future services to be provided to current residents and compares the amount with the deferred revenue from advance fees at that date. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, a liability (obligation for future costs) is recorded. No liability has been recorded as of September 30, 2018 or 2017, because the present value of the estimated net costs of future services and use of facilities is less than deferred revenues from advances fees. The present value of the net cost of future services and use of facilities was discounted at 3.12% and 5.50% in 2018 and 2017, respectively.

### ***Concentration of Credit Risk***

Concentrations of credit risk with respect to patient accounts receivable are limited due to the formalized agreements with third-party payors. The Company has significant accounts receivable (approximately 29% and 32% in 2018 and 2017, respectively) whose collectability or realizability is dependent upon the performance of certain governmental programs, primarily Medicare and North Carolina Medicaid. Management does not believe there are significant credit risks associated with these governmental programs.

### ***Use of Estimates***

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

### ***Income Taxes***

The Company is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Company has determined that it does not have any material unrecognized tax benefits or obligations as of September 30, 2018.

### ***Reclassifications***

Certain reclassifications have been made to the prior periods' consolidated financial statement presentation to correspond to the current year's format. Total stockholders' equity and net income are unchanged due to these reclassifications.

### ***Subsequent Events***

The Company evaluated the effect subsequent events would have on the consolidated financial statements through January 15, 2019, which is the date the consolidated financial statements were issued.

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Notes to Consolidated Financial Statements**

**2. Investments**

Aggregate fair values of investments at September 30 are summarized below:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,704,081	\$ 1,824,950
Equity	32,343,415	29,835,429
Fixed income	<u>36,031,700</u>	<u>35,971,699</u>
Total investments	70,079,196	67,632,078
Short-term investments	<u>64,417,206</u>	<u>62,383,359</u>
Investments - restricted	<u>\$ 5,661,990</u>	<u>\$ 5,248,719</u>

A summary of net investment income for the years ended September 30 follows:

	<u>2018</u>	<u>2017</u>
Net realized gain	\$ 13,509	\$ 1,412,111
Net unrealized gain	<u>815,490</u>	<u>3,569,378</u>
Net investment income	<u>\$ 828,999</u>	<u>\$ 4,981,489</u>

**3. Assets Limited as to Use**

The composition of assets limited as to use at September 30 is set forth in the following table:

	<u>2018</u>	<u>2017</u>
Fixed income	\$ 12,047,832	\$ 7,517,756
Equity	6,921,251	6,278,807
Cash funds and money market funds	<u>66,135,101</u>	<u>9,591,851</u>
Total assets limited as to use	<u>\$ 85,104,184</u>	<u>\$ 23,388,414</u>
Construction funds	\$ 48,396,762	\$ -
Debt service held by trustees	16,262,481	5,969,083
Insurance regulation	13,169,468	12,510,199
Held for others	234,068	106,384
Entrance Fee Escrow	3,701,361	1,891,673
Temporarily restricted net assets	2,665,519	2,236,550
Permanently restricted net assets	<u>674,525</u>	<u>674,525</u>
Total assets limited as to use	85,104,184	23,388,414
Less current portion required to meet current obligations	<u>(1,930,588)</u>	<u>(1,251,753)</u>
Assets limited as to use, net of current portion	<u>\$ 83,173,596</u>	<u>\$ 22,136,661</u>

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Notes to Consolidated Financial Statements**

**4. Fair Value of Assets and Liabilities**

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

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

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

When quoted prices are available in active markets for identical instruments, investment securities are classified within Level 1 of the fair value hierarchy. Level 1 investments include mutual funds, exchange-traded funds, and money market funds which are valued based on prices readily available in active markets in which those securities are traded. Level 2 investments include interest rate swap agreements which are valued on a recurring basis based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets.

The Company does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 3 during 2018. There were no changes during 2018 to the Company's valuation techniques used to measure asset and liability fair values on a recurring basis.

The following tables set forth by level the fair value hierarchy the Company's financial assets accounted for at fair value on a recurring basis as of September 30, 2018 and 2017.

	<b>September 30, 2018</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Assets:				
Mutual funds	<b>\$ 65,756,023</b>	\$ -	\$ -	<b>\$ 65,756,023</b>
Exchange-traded funds	<b>16,958,983</b>	-	-	<b>16,958,983</b>
Money market funds	<b>66,867,676</b>	-	-	<b>66,867,676</b>
Interest rate swaps	-	<b>243,412</b>	-	<b>243,412</b>
Total assets at fair value	<b><u>\$149,582,682</u></b>	<b><u>\$ 243,412</u></b>	<b><u>\$ -</u></b>	<b><u>\$149,826,094</u></b>

The Company has \$5,600,698 of cash balances included in investments and assets limited as to use as of September 30, 2018, which are not included in the fair value hierarchy.

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Notes to Consolidated Financial Statements**

	September 30, 2017			Total
	Level 1	Level 2	Level 3	
Assets:				
Mutual funds:				
Domestic	\$ 24,527,899	\$ -	\$ -	\$ 24,527,899
Fixed income	43,489,455	-	-	43,489,455
International	<u>11,582,546</u>	-	-	<u>11,582,546</u>
Total mutual funds	<u>79,599,900</u>	-	-	<u>79,599,900</u>
Money market funds	<u>8,170,827</u>	-	-	<u>8,170,827</u>
Total assets at fair value	<u>\$ 87,770,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,770,727</u>
Liabilities:				
Interest rate swaps	<u>\$ -</u>	<u>\$ 225,187</u>	<u>\$ -</u>	<u>\$ 225,187</u>

The Company has \$3,249,765 of cash balances included in investments and assets limited as to use as of September 30, 2017, which are not included in the fair value hierarchy.

## 5. Property and Equipment

Property and equipment consists of the following at September 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 6,528,046	\$ 6,528,046
Land improvements	12,794,127	12,347,462
Buildings and improvements	189,050,474	185,222,096
Equipment and fixtures	16,249,639	15,435,604
Construction in progress	<u>43,493,213</u>	<u>13,543,972</u>
Total property and equipment	<b>268,115,499</b>	233,077,180
Less accumulated depreciation	<u>(103,977,736)</u>	<u>(95,229,671)</u>
Property and equipment, net	<u>\$ 164,137,763</u>	<u>\$ 137,847,509</u>

Construction in progress includes various projects, the largest of which are two campus expansion projects. The estimated cost to complete the campus expansion projects is approximately \$32,045,000. The Company had depreciation expense of approximately \$9,570,000 and \$8,610,000 for the years ended September 30, 2018 and 2017, respectively.

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Notes to Consolidated Financial Statements**

**6. Bonds Payable**

Bonds payable consists of the following at September 30:

	<u>2018</u>	<u>2017</u>
First Mortgage Revenue Bonds, Series 2005B: Variable rate of 1.85%, due November 1, 2034.	\$ -	\$ 9,990,000
First Mortgage Revenue Refunding Bonds Series 2009A: Variable rate of 1.85%, due October 1, 2034.	-	5,400,000
First Mortgage Revenue Bonds, Series 2010A: Variable rate of 1.85%, due October 1, 2032.	-	8,180,000
First Mortgage Revenue Refunding Bonds, Series 2013A: Serial bonds due through October 1, 2022 yielding between 1.76% and 3.68%	<b>145,000</b>	170,000
Term bonds: Due October 1, 2033 yielding 4.60%	<b>1,730,000</b>	1,730,000
Due October 1, 2033 yielding 4.56%	<b>6,370,000</b>	6,370,000
First Mortgage Revenue Bonds, Series 2014A: Variable rate, bearing interest at market rates swapped at 2.97% through October 1 2024, due October 1, 2024.	<b>6,120,000</b>	7,345,000
First Mortgage Revenue Bonds, Series 2014B: Variable rate, bearing interest at market rates Swapped at 3.195% due October 1, 2024.	<b>11,815,000</b>	13,530,000
First Mortgage Revenue Bonds, Series 2016A: Serial bonds due through October 1, 2026 yielding between 2.500% to 2.625%	<b>4,845,000</b>	4,845,000
Term bonds: Due October 1, 2030 yielding 2.880%	<b>8,250,000</b>	8,250,000
Due October 1, 2030 yielding 3.250%	<b>2,500,000</b>	2,500,000
Due October 1, 2031 yielding 2.950%	<b>3,000,000</b>	3,000,000
Due October 1, 2035 yielding 3.600%	<b>13,390,000</b>	13,390,000
Due October 1, 2035 yielding 3.180%	<b>2,500,000</b>	2,500,000
Qualified Intermediate Term Debt, Series 2016B: Variable rate of 2.50%, due December 1, 2021.	-	4,886,273
First Mortgage Revenue and Revenue Refunding Bonds, Series 2017A: Serial bonds due through October 1, 2047 yielding between 1.550% and 3.280%	<b>25,415,000</b>	-
Term Bonds: Due October 1, 2037 yielding 3.460%	<b>12,670,000</b>	-
Due October 1, 2038 yielding 3.830%	<b>2,690,000</b>	-
Due October 1, 2042 yielding 3.530%	<b>12,155,000</b>	-
Due October 1, 2047 yielding 3.600%	<b>19,040,000</b>	-



**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Notes to Consolidated Financial Statements**

First Mortgage Revenue Bonds, Series 2017B:		
Term Bonds:		
Due October 1, 2041 yielding 3.000%	<b>16,150,000</b>	-
Qualified Intermediate Term Debt:		
Due October 1, 2020 yielding 3.000%	<u><b>15,085,000</b></u>	<u>-</u>
Total bonds payable	<u><b>163,870,000</b></u>	<u>92,086,273</u>
Less current portion of bonds payable	<b>(3,075,000)</b>	(4,000,000)
Less deferred financing costs, net	<b>(2,579,636)</b>	(2,082,542)
Add unamortized premium	<u><b>11,291,150</b></u>	<u>4,048,793</u>
Bonds payable, net of current portion	<u><b>\$ 169,506,514</b></u>	<u>\$ 90,052,524</u>

In February 2005, the Company issued \$24,250,000 of Variable Rate Demand Retirement Facilities Revenue Bonds ("2005B Bonds") through the North Carolina Medical Care Commission, the issuing authority. The proceeds of the 2005B Bonds were used to provide funds to construct an expansion at the Croasdaile Village campus and other costs associated with the issuance of the bonds. In addition, \$8,480,000 of the 2005B Bond proceeds were utilized to refund in their entirety the remaining bonds from the 2000 Variable Rate Demand Bonds outstanding. The interest rate on the 2005B Bonds is variable based on prevailing market rates and is reset monthly based on 68% of 1-Month LIBOR plus 1.1325%. The 2005B Bonds were paid in full in 2018.

In February 2010, the Company converted the remaining outstanding balance on the Series 2005B Bonds to bank qualified mode. The interest rate on the 2005B Bonds is variable based on prevailing market rates and is reset monthly based on 68% of 1-Month LIBOR plus 1.1325%.

In October 2009, the Company issued \$6,585,000 of tax-exempt, variable rate First Mortgage Revenue Refunding Bonds ("2009A Bonds") through the North Carolina Medical Care Commission. The proceeds of the 2009A Bonds, net of issuance expense and fund amounts deposited into a debt service reserve fund, along with cash reserves held by the Company, were used to refund \$5,000,000 of outstanding debt related to the Series 2004B Bonds. The interest rate on the 2009A Bonds is variable based on prevailing market rates and is reset monthly based on 68% of 1-Month LIBOR plus 1.1325%. The 2009A Bonds were paid in full in 2018.

Also during 2010, the Company issued \$14,300,000 of tax-exempt, First Mortgage Revenue Bonds ("2010A Bonds") as a bank qualified loan through the North Carolina Medical Care Commission. The interest rate on the 2010A Bonds is variable based on prevailing market rates and is reset monthly based on 68% of 1-Month LIBOR plus 1.1325%. The 2010A Bonds were paid in full in 2018.

In April 2013, the Company issued \$8,370,000 of tax-exempt, fixed rate First Mortgage Revenue Refunding Bonds ("2013A Bonds") through the North Carolina Medical Care Commission. The proceeds of the 2013A Bonds, net of issuance expense and fund amounts deposited into a debt service reserve fund, along with cash reserves held by the Company, were used to refund the Series 2004C Bonds total outstanding debt.

In September 2014, the Company issued \$12,025,000 of tax-exempt, variable First Mortgage Revenue Refunding Bonds ("2014A Bonds") through the North Carolina Medical Care Commission. Of this total amount, \$1,310,000 funded the partial refunding of the Series 2005B Bonds and \$10,715,000 refunded the entirety of the Series 2004A and a portion of the Series 2005A Bonds, which was funded on October 1, 2014. The interest rate on the 2014A Bonds is variable based on prevailing market rates and is reset monthly based on 82.65% of 1-Month LIBOR plus 1.692%. The Company entered into an interest rate swap agreement on the Series 2014A Bonds, which is described in Note 7.

## The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary Notes to Consolidated Financial Statements

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In December 2014, the North Carolina Medical Care Commission authorized the issuance of tax-exempt, adjustable rate Retirement Facilities First Mortgage Revenue Refunding Bonds, Series 2014B ("2014B Bonds") in the aggregate principal amount of up to \$16,630,000. Of this total amount, \$6,390,000 and \$10,040,000 funded the partial refunding of the Series 2005C Bonds due October 1, 2019 and October 1, 2024, respectively. The amounts were funded on October 1, 2015. The interest rate on the 2014B Bonds is variable based on prevailing market rates and is reset monthly based on 82.65% of 1-Month LIBOR plus 1.692%. The Company entered into an interest rate swap agreement on the Series 2014B Bonds, which is described in Note 7.

In May 2016, the North Carolina Medical Care Commission authorized the issuance of tax-exempt, fixed rate Retirement Facilities First Mortgage Revenue Refunding Bonds, Series 2016A ("2016A Bonds") in the aggregate principal amount of up to \$34,485,000. The bond funds were used to refund the entirety of the 2005A Bonds due October 1, 2025 and October 1, 2035, and the remaining outstanding amount of \$22,715,000 of the 2005C Bonds due October 1, 2032.

In December 2016, the Company issued \$15,087,000 of Qualified Intermediate Term Debt ("2016B Bonds"). The proceeds of the 2016B Bonds were used to provide funds to construct an expansion at the Croasdaile Village campus and other costs associated with the issuance of the bonds. The interest rate on the 2016B Bonds is variable based on prevailing market rates and is reset monthly based on 1-Month LIBOR plus 1.25%. In addition to the 2016B Bonds, the Company also closed on a Bridge Loan Note in December 2016 for \$24,250,000. The 2016B Bonds were paid in full in 2018.

In December 2017, the Company issued \$71,970,000 of rated tax-exempt fixed rate Series 2017A Bonds ("2017A Bonds"), consisting of serial and term maturities from October 1, 2018 to October 1, 2047 and \$31,235,000 of tax-exempt direct purchase bank revenue Series 2017B Bonds ("2017 Bonds") issued by the North Carolina Medical Care Commission and to be purchased by BB&T Community Holdings Co. The 2017B Bonds consist of \$16,150,000 of Series 2017B-1 Bonds to be redeemed by October 1, 2041 and \$15,085,000 of Series 2017B-2 Bonds, to be redeemed in full by October 1, 2020 with initial entrance fee proceeds received from the Project's new independent living units. The interest rate on the 2017B Bonds is variable based on prevailing market rates and is reset monthly based on 82.65% of 1-Month LIBOR plus 0.988%.

Principal repayments on bonds payable, excluding discounts and premiums, for the next five years and thereafter, are summarized as follows:

2019	\$ 3,075,000
2020	4,750,000
2021	4,345,000
2022	4,540,000
2023	4,720,000
Thereafter	<u>142,440,000</u>
	<u>\$ 163,870,000</u>

All series of bonds are subject to annual mandatory sinking fund requirements prior to their due dates. There are certain covenants associated with the bonds that are outlined in the Master Trust indentures. The most restrictive of these covenants requires maintenance of a long-term debt service coverage ratio, as defined, of not less than 1.20.

The Company incurred deferred financing costs in the amount of \$2,789,367 and \$2,438,699 in association with the issuance of the above Series Bonds. Amortization expense of \$77,522 and \$91,447 was recognized during 2018 and 2017, respectively, to the interest expense line item of the consolidated statements of operations and changes in net assets. Accumulated amortization was \$209,731 and \$356,157 for the years ended September 30, 2018 and 2017, respectively. In conjunction with refunding various Bond Series, approximately \$1,092,000 of deferred financing costs were written off and recognized as loss on extinguishment of debt on the consolidated statements of operations and changes in net assets as of September 30, 2018.

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary  
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**7. Interest Rate Swap**

Variable rate long-term debt exposes the Company to variability in interest payments due to changes in interest rates. Management believes it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management entered into interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk.

In August 2014, the Company entered into a forward interest rate swap agreement with a financial institution in conjunction with the 2014A Bonds that took effect October 1, 2014. The Company pays a fixed rate of 2.97% while the financial institution pays based on 78% of 1-Month LIBOR plus 1.3925%. The difference between the fixed and floating rates is accrued and recorded in interest expense in the accompanying consolidated statements of operations and changes in net assets. The fair value of this derivative instrument is recorded on the consolidated balance sheets as a non-current asset in 2018 and a long-term liability in 2017.

In December 2014, the Company entered into a forward interest rate swap agreement with a financial institution in conjunction with the 2014B Bonds that took effect October 1, 2015. The Company pays a fixed rate of 3.195% while the financial institution pays based on 78% of 1-Month Libor plus 1.3925%. The difference between the fixed and floating rates is accrued and recorded in interest expense in the accompanying consolidated statements of operations and changes in net assets. The fair value of this derivative instrument is recorded on the consolidated balance sheets as a non-current asset in 2018 and a long-term liability in 2017. The following schedule outlines the terms and fair values of the interest rate swap agreement.

	<u>2014A Bond Bank Swap</u>	<u>2014B Bond Bank Swap</u>
Notional amount	\$ 8,955,000	\$ 15,200,000
Trade date	8/25/2014	12/22/2014
Effective date	10/1/2014	10/1/2015
Termination date	10/1/2024	10/1/2024
Fixed rate	2.970%	3.195%
Fair value at September 30, 2016	\$ (252,626)	\$ (652,857)
Unrealized gains	<u>209,717</u>	<u>470,579</u>
Fair value at September 30, 2017	(42,909)	(182,278)
Unrealized gains	<u>134,084</u>	<u>334,515</u>
Fair value at September 30, 2018	<u>\$ 91,175</u>	<u>\$ 152,237</u>

By using an interest rate swap to hedge exposure to change in interest rates, the Company exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. Market risk is the adverse effect on the value of the financial instrument that results from a change in interest rates. The market risk associated with an interest rate swap is managed by establishing and monitoring parameters that limit the types and degrees of market risk that may be undertaken.

**8. Benevolent Assistance and Other Contractual Adjustments**

UMRH maintains records to identify and monitor the level of benevolent assistance it provides. These records include the amount of charges forgone for services and supplies furnished under its benevolent assistance policy. Amounts of benevolent assistance provided based on the cost to provide was approximately \$572,000 and \$528,000 for the years ended September 30, 2018 and 2017, respectively. The benevolent care amount includes approximately \$20,000 for the years ended September 30, 2018 and 2017, of services discounted for former

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Methodist Retirement Community (“MRC”) residents who were moved to Croasdaile Village upon the closure of MRC.

Additionally, residents in the health center and assisted living levels of care may be eligible to participate in the North Carolina Medicaid or federal Medicare programs. Contractual adjustments represent the difference between UMRH’s standard rates and the rates paid by net third party payors. For the years ended September 30, 2018 and 2017, net patient service revenue was reduced by net third party payor contractual adjustments (primarily Medicaid and Medicare) of approximately \$5,287,000 and \$5,817,000, respectively.

**9. Retirement Plans**

Effective July 1, 2002, UMRH formed a 403(b) defined-contribution pension plan covering substantially all its employees. UMRH matches 50% of eligible employee contributions up to eight percent on employees’ annual compensation. Matching contributions begin on the first payroll of the first calendar quarter after the employee’s hire date. The employees are immediately vested in their contributions. UMRH matching contributions are vested after the twelfth consecutive month period beginning with the first day of the plan year and ending with the last day of the plan year in which the employee is credited with at least 1,000 hours of service. At the end of the plan year, UMRH’s matching contributions are vested on a sliding scale from zero to 100% based on years of vesting service where employees are 100% vested after 5 years. Retirement plan expense amounted to approximately \$326,000 and \$282,000 for the years ended September 30, 2018 and 2017, respectively.

**10. Temporarily Restricted Net Assets**

Temporarily restricted net assets at September 30 were available for the following purposes:

	<u>2018</u>	<u>2017</u>
Benevolent care	\$ 1,718,697	\$ 1,417,634
Split interest agreements	263,760	225,785
Use and maintenance of the Cypress Glen facility	1,117,475	1,088,631
Other	1,841,718	1,172,508
Facility operations and maintenance	95,523	81,956
Capital campaign	<u>23,111</u>	<u>13,111</u>
Total	<u>\$ 5,060,284</u>	<u>\$ 3,999,625</u>

**11. Permanently Restricted Net Assets**

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support:

	<u>2018</u>	<u>2017</u>
Benevolent endowment fund	\$ 2,114,928	\$ 2,091,753
Split interest agreements	675,607	569,960
Use and maintenance of the Cypress Glen facility	649,525	649,525
Other	338,553	338,552
Facility operations and maintenance	<u>100,691</u>	<u>100,691</u>
	<u>\$ 3,879,304</u>	<u>\$ 3,750,481</u>

## **12. Commitments and Contingencies**

The Company is involved in litigation in the ordinary course of business related to professional liability claims. Management believes these claims, if asserted, would be settled within the limits of coverage, which is on a claims-made basis, with insurance limits of \$1,000,000 per claim and \$3,000,000 in the aggregate.

Should the policies not be renewed or replaced with equivalent insurance, claims based on occurrences during their terms but reported subsequently would be uninsured. Management anticipates that such coverage will be renewed or replaced with equivalent insurance as these policies expire.

## **13. Contingent Liabilities**

The Company is self-insured for its employee health insurance and records an estimate for claims incurred but unpaid at year end. The estimated liability for these claims approximated \$181,000 and \$126,000 for the years ended September 30, 2018 and 2017, respectively. The liability is included in current liabilities. The total self-insurance expenses were approximately \$2,520,000 and \$2,300,000. The self-insured plan has a stop loss coverage of \$80,000 per individual per plan year (with a \$125,000 cumulative specific stop loss deductible) and has an \$1,000,000 annual aggregate.

## **14. Management Fees**

The Company pays management fees to Life Care Services LLC (“LCS”) pursuant to a Client Services Agreement dated January 1, 2018. Under this Agreement, LCS is to: (i) provide a qualified Corporate Executive Director, who is an employee of LCS; (ii) perform general, financial, personnel, facility and other management services necessary for operation of UMRH’s corporate office and the operation and marketing of the communities. The term of the Client Services Agreement is five years terminable by UMRH, with six months’ notice, at the conclusion of the third anniversary without cause or penalty. The Company recognized management fee expenses of approximately \$1,956,000 and \$1,862,000 for the years ended September 30, 2018 and 2017, respectively which are included in administrative expenses on the consolidated statement of operations and changes in net assets.

## **15. Endowment Funds**

The Company’s endowments consist of individual funds established for a variety of purposes including support for residents in financial need, plant operations and maintenance and other general obligations. The endowments consist of donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

### **Interpretation of Relevant Law**

The Board of Trustees of the Company has interpreted the State Prudent Management of Institutional Funds Act (“SPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Company classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Notes to Consolidated Financial Statements**

the accumulation is added to the fund. In accordance with SPMIFA, the Company considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

**Endowment Net Asset Composition by Type of Fund as of September 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment	\$ -	\$ 4,796,524	\$ 3,203,697	\$ 8,000,221

**Changes in Endowment Net Assets for the Year Ended September 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 3,773,840	\$ 3,180,521	\$ 6,954,361
Investment gains	-	504,428	-	504,428
Contributions to principal	-	870,382	23,176	893,558
Change in value of pledges	-	208,179	-	208,179
Bad debt expense, net	-	(22,800)	-	(22,800)
Releases from restriction	-	(537,505)	-	(537,505)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 4,796,524</u>	<u>\$ 3,203,697</u>	<u>\$ 8,000,221</u>

**Endowment Net Asset Composition by Type of Fund as of September 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment	\$ -	\$ 3,773,840	\$ 3,180,521	\$ 6,954,361

**Changes in Endowment Net Assets for the Year Ended September 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 3,002,785	\$ 3,144,262	\$ 6,147,047
Investment gains	-	616,307	-	616,307
Contributions to principal	-	449,010	13,945	462,955
Change in value of pledges	-	56,238	-	56,238
Maturity of split-interest agreements	-	-	22,314	22,314
Bad debt expense, net	-	(6,273)	-	(6,273)
Releases from restriction	-	(344,227)	-	(344,227)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 3,773,840</u>	<u>\$ 3,180,521</u>	<u>\$ 6,954,361</u>

## **The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary Notes to Consolidated Financial Statements**

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### **Return Objectives and Risk Parameters**

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

### **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Company relies on a combination strategy of capital preservation and modest capital growth. The Company targets a diversified asset allocation that places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints.

### **Spending Policy and How the Investment Objectives Relate to Spending Policy**

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

***Supplementary Information***



**The United Methodist Retirement Homes, Inc., Its Affiliate and Subsidiary**  
**Consolidating Balance Sheet Information**  
**September 30, 2018**

	Corporate	Wesley Pines	Cypress Glen	Croasdalle Village	Eliminating entries	Total UMRH	UMRH Foundation	Eliminating entries	Obligated Group	UMRH AHD	Consolidated
<b>ASSETS</b>											
Current assets:											
Cash	\$ 1,795,119	\$ 400	\$ 2,175	\$ 650	\$ -	\$ 1,798,344	\$ 89,271	\$ -	\$ 1,887,615	\$ 86,441	\$ 1,974,056
Contributions receivable, current portion	-	35,386	151,500	1,151,790	-	1,338,676	144,314	(1,338,676)	144,314	-	144,314
Investments	77,486,674	-	-	-	(13,069,468)	64,417,206	-	-	64,417,206	-	64,417,206
Assets limited as to use - debt service, current portion	-	-	200,857	1,359,048	-	1,559,905	-	-	1,559,905	-	1,559,905
Assets limited as to use, current portion	6	4,260	349,778	16,339	-	370,383	-	-	370,383	300	370,683
Accounts receivable, net of allowance for uncollectible accounts	-	670,831	266,673	1,584,270	-	2,521,774	-	-	2,521,774	-	2,521,774
Other receivables	28,450	37,773	167,122	2,346,907	-	2,580,252	700	-	2,580,952	-	2,580,952
Due from related parties	2,054,420	-	27,078,191	53,054,978	(82,037,954)	149,635	-	(149,635)	-	-	-
Inventories	50	21,851	29,181	69,321	-	120,403	-	-	120,403	-	120,403
Prepaid expenses and other current assets	157,758	205,400	206,546	439,814	-	1,009,518	470	-	1,009,988	-	1,009,988
<b>Total current assets</b>	<b>81,522,477</b>	<b>975,901</b>	<b>28,452,023</b>	<b>60,023,117</b>	<b>(95,107,422)</b>	<b>75,866,096</b>	<b>234,755</b>	<b>(1,488,311)</b>	<b>74,612,540</b>	<b>86,741</b>	<b>74,699,281</b>
Non-current assets:											
Assets limited as to use - statutory operating reserve	-	2,242,977	3,266,279	7,560,213	-	13,069,469	100,000	-	13,169,469	-	13,169,469
Assets limited as to use - debt service, net of current portion	-	-	1,462,913	61,636,426	-	63,099,339	-	-	63,099,339	-	63,099,339
Assets limited as to use, net of current portion	674,525	-	1,117,475	3,701,361	-	5,493,361	1,411,427	-	6,904,788	-	6,904,788
Investments - restricted	-	-	-	-	-	-	5,661,990	-	5,661,990	-	5,661,990
Assets held for resale	181,690	32,112	-	-	-	213,802	-	-	213,802	-	213,802
Property and equipment, net	581,547	12,760,501	34,119,485	116,676,230	-	164,137,763	-	-	164,137,763	-	164,137,763
Trusts receivable	-	-	-	-	-	-	191,354	-	191,354	-	191,354
Contributions receivable, net of current portion	-	528,645	1,616,557	2,586,895	-	4,732,097	153,636	(4,732,096)	153,637	-	153,637
Interest rate swap agreement	-	-	61,260	182,152	-	243,412	-	-	243,412	-	243,412
<b>Total non-current assets</b>	<b>1,437,762</b>	<b>15,564,235</b>	<b>41,643,969</b>	<b>192,343,277</b>	<b>-</b>	<b>250,989,243</b>	<b>7,518,407</b>	<b>(4,732,096)</b>	<b>253,775,554</b>	<b>-</b>	<b>253,775,554</b>
<b>Total assets</b>	<b>\$ 82,960,239</b>	<b>\$ 16,540,136</b>	<b>\$ 70,095,992</b>	<b>\$ 252,366,394</b>	<b>\$ (95,107,422)</b>	<b>\$ 326,855,339</b>	<b>\$ 7,753,162</b>	<b>\$ (6,220,407)</b>	<b>\$ 328,388,094</b>	<b>\$ 86,741</b>	<b>\$ 328,474,835</b>
<b>LIABILITIES AND NET ASSETS</b>											
Current liabilities:											
Annuity payable, current portion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,783	\$ -	\$ 83,783	\$ -	\$ 83,783
Bonds payable, current portion	-	-	882,000	2,193,000	-	3,075,000	-	-	3,075,000	-	3,075,000
Accounts payable	849,714	213,801	774,549	3,723,342	-	5,561,406	7,925	-	5,569,331	-	5,569,331
Accrued salaries and related expenses	358,162	331,925	648,209	890,091	-	2,228,387	-	-	2,228,387	-	2,228,387
Accrued interest payable	-	189,746	336,734	2,321,709	-	2,848,189	-	-	2,848,189	-	2,848,189
Insurance regulation - statutory operating reserve	-	2,242,977	3,266,279	7,560,212	(13,069,468)	-	-	-	-	-	-
Due to related parties	80,133,170	1,904,784	-	-	(82,037,954)	-	-	-	-	-	-
Contributions payable, current portion	-	-	-	-	-	-	1,338,676	(1,338,676)	-	-	-
<b>Total current liabilities</b>	<b>81,341,046</b>	<b>4,883,233</b>	<b>5,907,771</b>	<b>16,688,354</b>	<b>(95,107,422)</b>	<b>13,712,982</b>	<b>1,430,384</b>	<b>(1,338,676)</b>	<b>13,804,690</b>	<b>-</b>	<b>13,804,690</b>
Long-term liabilities:											
Annuity payable, less current portion	-	-	-	-	-	-	303,475	-	303,475	-	303,475
Bonds payable, less current portion	-	8,756,160	16,957,661	143,792,693	-	169,506,514	-	-	169,506,514	-	169,506,514
Qualified intermediate term debt	-	-	-	-	-	-	-	-	-	-	-
Liability to other foundations	-	-	-	-	-	-	8,843	-	8,843	-	8,843
Liability for refundable advance fees	-	48,223	4,500,359	6,101,685	-	10,650,267	-	-	10,650,267	-	10,650,267
Deferred revenue from non-refundable advance fees	-	1,744,794	14,221,537	40,332,630	-	56,298,961	-	-	56,298,961	-	56,298,961
Contributions payable, less current portion	-	-	-	-	-	-	4,732,096	(4,732,096)	-	-	-
Due to related parties	67,748	-	-	-	-	67,748	149,635	(149,635)	67,748	-	67,748
Funds held for others	-	3,300	219,700	11,068	-	234,068	-	-	234,068	-	234,068
<b>Total long-term liabilities</b>	<b>67,748</b>	<b>10,552,477</b>	<b>35,899,257</b>	<b>190,238,076</b>	<b>-</b>	<b>236,757,558</b>	<b>5,194,049</b>	<b>(4,881,731)</b>	<b>237,069,876</b>	<b>-</b>	<b>237,069,876</b>
<b>Total liabilities</b>	<b>81,408,794</b>	<b>15,435,710</b>	<b>41,807,028</b>	<b>206,926,430</b>	<b>(95,107,422)</b>	<b>250,470,540</b>	<b>6,624,433</b>	<b>(6,220,407)</b>	<b>250,874,566</b>	<b>-</b>	<b>250,874,566</b>
Net assets:											
Unrestricted	876,914	539,435	25,273,353	41,696,014	-	68,385,716	188,524	-	68,574,240	86,441	68,660,681
Temporarily restricted	6	344,451	2,118,282	2,150,736	-	4,613,475	446,509	-	5,059,984	300	5,060,284
Permanently restricted	674,525	220,540	897,329	1,593,214	-	3,385,608	493,696	-	3,879,304	-	3,879,304
<b>Total net assets</b>	<b>1,551,445</b>	<b>1,104,426</b>	<b>28,288,964</b>	<b>45,439,964</b>	<b>-</b>	<b>76,384,799</b>	<b>1,128,729</b>	<b>-</b>	<b>77,513,528</b>	<b>86,741</b>	<b>77,600,269</b>
<b>Total liabilities and net assets</b>	<b>\$ 82,960,239</b>	<b>\$ 16,540,136</b>	<b>\$ 70,095,992</b>	<b>\$ 252,366,394</b>	<b>\$ (95,107,422)</b>	<b>\$ 326,855,339</b>	<b>\$ 7,753,162</b>	<b>\$ (6,220,407)</b>	<b>\$ 328,388,094</b>	<b>\$ 86,741</b>	<b>\$ 328,474,835</b>

**The United Methodist Retirement Homes, Inc., Its Affiliate and Subsidiary**  
**Consolidating Statement of Operations and Changes in Net Assets Information**  
**September 30, 2018**

	Corporate	Wesley Pines	Cypress Glen	Croasdaile Village	Total UMRH	UMRH Foundation	Eliminating entries	Obligated Group	UMRH AHD	Consolidated
Unrestricted revenues, gains and other support:										
Net resident and patient service revenue	-	7,571,504	14,768,733	34,201,176	56,541,413	-	-	56,541,413	-	\$ 56,541,413
Amortization of advance fees	-	237,095	2,333,912	4,906,734	7,477,741	-	-	7,477,741	-	7,477,741
Net assets released from restriction	648	53,186	165,094	127,454	346,382	86,825	(74,045)	359,162	-	359,162
Other	8,602	653	1,765	21,496	32,516	412	-	32,928	-	32,928
Interest and dividend income	2,098,455	-	25,450	110,620	2,234,525	97	-	2,234,622	32	2,234,654
Total unrestricted revenues, gains and other support	2,107,705	7,862,438	17,294,954	39,367,480	66,632,577	87,334	(74,045)	66,645,866	32	66,645,898
Expenses:										
Nursing services	-	3,964,115	3,748,965	7,732,986	15,446,066	-	-	15,446,066	-	15,446,066
Dietary and food services	-	1,213,093	2,570,030	4,980,837	8,763,960	-	-	8,763,960	-	8,763,960
Administration	4,284,193	778,308	1,567,594	2,761,533	9,391,628	89,582	(74,045)	9,407,165	199	9,407,364
Plant operations, maintenance and security	-	594,936	2,110,630	3,088,434	5,794,000	-	-	5,794,000	-	5,794,000
Laundry and housekeeping	-	435,160	719,025	1,892,518	3,046,703	-	-	3,046,703	-	3,046,703
Resident services - activities	-	113,462	586,376	1,721,176	2,421,014	-	-	2,421,014	-	2,421,014
Home care	-	-	-	3,107,542	3,107,542	-	-	3,107,542	-	3,107,542
Interest	-	340,949	807,808	2,298,506	3,447,263	-	-	3,447,263	-	3,447,263
Depreciation and amortization	231,349	608,338	2,730,128	6,012,584	9,582,399	-	-	9,582,399	-	9,582,399
Bad debt expense	-	79,244	2,027	191,592	272,863	-	-	272,863	-	272,863
Total expenses	4,515,542	8,127,605	14,842,583	33,787,708	61,273,438	89,582	(74,045)	61,288,975	199	61,289,174
Operating income (loss)	(2,407,837)	(265,167)	2,452,371	5,579,772	5,359,139	(2,248)	-	5,356,891	(167)	5,356,724
Non-operating gains (losses):										
Interest and dividend income	-	-	-	18,422	18,422	-	-	18,422	-	18,422
Net investment gains, realized	379	-	-	-	379	-	-	379	-	379
Net investment gains, unrealized	543,114	-	(17,060)	(37,623)	488,431	-	-	488,431	-	488,431
Gain (loss) on disposal of property and equipment	(943)	13,000	(152,849)	(197,123)	(337,915)	-	-	(337,915)	-	(337,915)
Contributions	14,844	818	10,985	912	27,559	1,575	-	29,134	-	29,134
Loss on extinguishment of debt	-	(527,063)	(210,748)	(618,792)	(1,356,603)	-	-	(1,356,603)	-	(1,356,603)
Change in fair value of interest rate swap agreement	-	-	90,090	378,509	468,599	-	-	468,599	-	468,599
Other	-	2,921	(130,080)	22,294	(104,865)	-	-	(104,865)	-	(104,865)
Net non-operating gains (losses)	557,394	(510,324)	(409,662)	(433,401)	(795,993)	1,575	-	(794,418)	-	(794,418)
Excess of revenues, gains and other support over expenses	(1,850,443)	(775,491)	2,042,709	5,146,371	4,563,146	(673)	-	4,562,473	(167)	4,562,306
Net assets released from restrictions for purchase of property and equipment	-	-	65,527	112,816	178,343	-	-	178,343	-	178,343
Change in unrestricted net assets	(1,850,443)	(775,491)	2,108,236	5,259,187	4,741,489	(673)	-	4,740,816	(167)	4,740,649
Change in temporarily restricted net assets:										
Contributions	(2,150)	27,224	212,589	501,749	739,412	130,970	-	870,382	-	870,382
Interest and dividend income	-	12,045	79,301	50,822	142,168	22,071	-	164,239	-	164,239
Investment income (loss)	-	24,988	163,923	105,459	294,370	45,819	-	340,189	-	340,189
Change in split interest agreement	-	-	18,401	20,085	38,486	(511)	-	37,975	-	37,975
Change in value of pledges	-	-	(5,537)	213,716	208,179	-	-	208,179	-	208,179
Recovery of bad debt (bad debt expense)	-	-	600	(23,400)	(22,800)	-	-	(22,800)	-	(22,800)
Net assets released from restriction	(648)	(27,174)	(225,471)	(197,387)	(450,680)	(86,825)	-	(537,505)	-	(537,505)
Change in temporarily restricted net assets	(2,798)	37,083	243,806	671,044	949,135	111,524	-	1,060,659	-	1,060,659
Change in permanently restricted net assets:										
Contributions	-	220	10,510	11,446	22,176	1,000	-	23,176	-	23,176
Change in split interest agreement	-	6,653	79,154	17,338	103,145	2,502	-	105,647	-	105,647
Change in permanently restricted net assets	-	6,873	89,664	28,784	125,321	3,502	-	128,823	-	128,823
Change in net assets	(1,853,241)	(731,535)	2,441,706	5,959,015	5,815,945	114,353	-	5,930,298	(167)	5,930,131
Net assets, beginning of year	3,404,686	1,835,961	25,847,258	39,480,949	70,568,854	1,014,376	-	71,583,230	86,908	71,670,138
Net assets, end of year	\$ 1,551,445	\$ 1,104,426	\$ 28,288,964	\$ 45,439,964	\$ 76,384,799	\$ 1,128,729	\$ -	\$ 77,513,528	\$ 86,741	\$ 77,600,269

## **ATTACHMENT 2**

**Forecasted Financial Statements  
for  
The United Methodist  
Retirement Homes, Incorporated  
Includes**

- **Consolidated Operations of Croasdaile Village, Cypress Glen and Wesley Pines**
- **Individual Operations of Cypress Glen**

# **The United Methodist Retirement Homes, Incorporated**

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**Projected Financial Statements**

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



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## **Independent Accountants' Compilation Report**

Board of Directors  
The United Methodist Retirement Homes, Incorporated  
Durham, North Carolina

Management is responsible for the accompanying projection of The United Methodist Retirement Homes, Incorporated ("UMRH"), which comprises the projected balance sheets as of September 30, 2019 through 2023, and the projected 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 projection established by the American Institute of Certified Public Accountants ("AICPA"). We have performed the 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 projection 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 projection.

Even if the hypothetical assumptions described in Note 1 occurred, there will usually be differences between the projection 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 projections and this report are intended solely for the information and use of UMRH and to comply with the requirements of North Carolina General Statutes, Chapter 58, Article 64, they are not intended to be and should not be used by anyone other than these specified parties.

As disclosed in Note 1 to the audited consolidated financial statements for UMRH and Affiliates, accounting principles generally accepted in the United States of America require that the financial statements for affiliates meeting certain criteria be consolidated with the parent organization's financial statements. For purposes of this projection, the financial statements of two affiliates, which should be consolidated with UMRH's financial statements under accounting principles generally accepted in the United States of America, have been excluded from the projected financial statements. The effects of this departure from accounting principles generally accepted in the United States of America on the projected financial position, results of operations and cash flows have not been determined.

The accompanying supplementary information on pages 21 - 29 is presented for purposes of additional analysis and is not a required part of the projection. 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.

*Dixon Hughes Goodman LLP*

**Raleigh, North Carolina  
February 26, 2019**

**The United Methodist Retirement Homes, Incorporated**  
**Projected Balance Sheets**  
**September 30, 2019 through 2023**  
**(dollars in thousands)**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>ASSETS</b>					
Current assets:					
Cash	\$ 4,931	\$ 2,681	\$ 932	\$ 9,766	\$ 19,293
Contributions receivable from UMRH Foundation, current portion	1,339	1,339	1,339	354	354
Investments	62,138	63,609	67,089	68,506	70,629
Assets limited as to use - debt service, current portion	1,004	996	987	978	969
Assets limited as to use - future construction, current portion	18,672	23,035	23,035	23,035	23,035
Assets limited as to use - all other, current portion	370	370	370	370	370
Accounts receivable, net	2,679	3,106	3,268	3,377	3,487
Other receivables	1,756	2,645	2,448	2,505	2,563
Due from related parties	150	150	150	150	149
Inventories	120	123	127	130	135
Prepaid expenses and other current assets	1,104	1,179	1,222	1,255	1,288
Total current assets	<u>94,263</u>	<u>99,233</u>	<u>100,967</u>	<u>110,426</u>	<u>122,272</u>
Assets limited as to use:					
Assets limited as to use - statutory operating reserve	16,931	17,403	15,915	16,538	16,506
Assets limited as to use - debt service, net of current portion	23,330	7,661	7,670	7,677	7,607
Assets limited as to use - all other, net of current portion	2,054	2,083	2,112	1,908	1,939
	<u>42,315</u>	<u>27,147</u>	<u>25,697</u>	<u>26,123</u>	<u>26,052</u>
Property and equipment, net	198,992	218,560	219,828	221,085	222,901
Other assets:					
Interest rate swap agreement	243	243	243	243	243
Assets held for resale	214	214	215	216	216
Contributions receivable from UMRH Foundation, net of current portion	4,733	4,733	4,733	4,733	4,733
	<u>5,190</u>	<u>5,190</u>	<u>5,191</u>	<u>5,192</u>	<u>5,192</u>
Total assets	<u>\$ 340,760</u>	<u>\$ 350,130</u>	<u>\$ 351,683</u>	<u>\$ 362,826</u>	<u>\$ 376,417</u>
<b>LIABILITIES AND NET ASSETS</b>					
Current liabilities:					
Bonds payable, current portion	\$ 11,590	\$ 11,825	\$ 4,430	\$ 3,700	\$ 4,685
Accounts payable	4,244	3,698	3,180	3,269	3,378
Accrued salaries and related expenses	3,184	5,507	6,925	8,266	9,677
Accrued interest payable	1,372	1,343	1,311	1,296	1,283
Other	71	71	71	71	71
Total current liabilities	<u>20,461</u>	<u>22,444</u>	<u>15,917</u>	<u>16,602</u>	<u>19,094</u>
Long-term liabilities:					
Bonds payable, less current portion	157,722	145,698	141,062	137,073	132,083
Liability for refundable advanced fees	12,510	13,548	14,155	14,780	15,432
Deferred revenue for non-refundable advanced fees	65,458	71,764	71,226	70,987	71,163
Due to related parties	72	75	79	83	87
Fund held for others	234	234	234	234	234
Total liabilities	<u>256,457</u>	<u>253,763</u>	<u>242,673</u>	<u>239,759</u>	<u>238,093</u>
Net assets:					
Unrestricted	76,305	88,369	101,012	116,054	131,311
Temporarily restricted	4,613	4,613	4,613	3,628	3,628
Permanently restricted	3,385	3,385	3,385	3,385	3,385
Total net assets	<u>84,303</u>	<u>96,367</u>	<u>109,010</u>	<u>123,067</u>	<u>138,324</u>
Total liabilities and net assets	<u>\$ 340,760</u>	<u>\$ 350,130</u>	<u>\$ 351,683</u>	<u>\$ 362,826</u>	<u>\$ 376,417</u>

**The United Methodist Retirement Homes, Incorporated**  
**Projected Statements of Operations and Changes in Net Assets**  
**For the years ending September 30, 2019 through 2023**  
**(dollars in thousands)**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenue:					
Net resident services, apartments	\$ 29,115	\$ 34,911	\$ 36,880	\$ 38,224	\$ 39,618
Net resident services, health care center	19,967	20,466	20,980	21,510	22,058
Net resident services, assisted living	7,089	10,018	11,004	11,484	11,873
Net resident services, memory care	1,071	1,103	1,136	1,171	1,206
Net resident services, home care	2,650	2,756	2,866	2,980	3,100
Amortization of advanced fees	11,716	11,489	12,208	12,469	12,769
Net assets released from restriction	246	233	226	221	218
Other	30	30	30	30	30
Interest and dividend income	1,734	2,097	2,146	2,195	2,247
	<u>73,618</u>	<u>83,103</u>	<u>87,476</u>	<u>90,284</u>	<u>93,119</u>
Total revenue					
Expenses:					
Health care center	14,253	14,685	15,130	15,589	16,062
Assisted living	2,276	3,074	3,337	3,464	3,567
Memory care	497	512	527	543	559
Home care	2,392	2,464	2,538	2,614	2,693
Resident services	2,548	2,643	2,728	2,811	2,895
Dietary and food service	9,187	9,878	10,221	10,529	10,846
Housekeeping	3,344	3,774	3,899	4,017	4,138
Laundry	179	184	190	195	201
Plant	6,347	7,204	7,506	7,735	7,971
General and administration	10,047	11,076	11,536	11,811	12,185
Depreciation	10,169	9,170	11,233	11,186	11,204
Interest	4,461	6,375	5,988	5,733	5,541
	<u>65,700</u>	<u>71,039</u>	<u>74,833</u>	<u>76,227</u>	<u>77,862</u>
Total expenses					
Excess of revenue over expenses	7,918	12,064	12,643	14,057	15,257
Net assets released from restriction for purchase of property and equipment	-	-	-	985	-
Change in unrestricted net assets	<u>\$ 7,918</u>	<u>\$ 12,064</u>	<u>\$ 12,643</u>	<u>\$ 15,042</u>	<u>\$ 15,257</u>
Change in temporarily restricted net assets					
Net assets released from restriction	-	-	-	(985)	-
Change in net assets	7,918	12,064	12,643	14,057	15,257
Net assets beginning of year	<u>76,385</u>	<u>84,303</u>	<u>96,367</u>	<u>109,010</u>	<u>123,067</u>
Net assets end of year	<u>\$ 84,303</u>	<u>\$ 96,367</u>	<u>\$ 109,010</u>	<u>\$ 123,067</u>	<u>\$ 138,324</u>



**The United Methodist Retirement Homes, Incorporated**  
**Projected Statements of Cash Flows**  
**For the years ending September 30, 2019 through 2023**  
**(dollars in thousands)**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Operating activities:					
Change in net assets	\$ 7,918	\$ 12,064	\$ 12,643	\$ 14,057	\$ 15,257
Adjustments to reconcile change in net assets to net cash from operating activities:					
Depreciation	10,169	9,170	11,233	11,186	11,204
Amortization of deferred financing costs	79	82	85	105	111
Amortization of bond premium	(273)	(280)	(292)	(393)	(415)
Amortization of advanced fees	(11,716)	(11,489)	(12,208)	(12,469)	(12,769)
Non-refundable entrance fees received	22,979	20,748	14,229	14,681	15,143
Bad debt expense	153	342	360	372	385
Net change in:					
Accounts receivable - residents and patients	(309)	(769)	(522)	(481)	(495)
Accounts receivable - other	823	(889)	197	(57)	(58)
Investments	(1,582)	(1,944)	(1,991)	(2,040)	(2,090)
Contributions receivable/(payable)	-	-	-	985	-
Due to/from related parties	4	3	4	4	4
Inventories	2	(3)	(4)	(3)	(5)
Prepaid expenses and other current assets	(93)	(75)	(43)	(33)	(33)
Accounts payable	(1,316)	(546)	(518)	89	109
Accrued salaries and related expenses	955	2,323	1,418	1,341	1,411
Accrued interest payable	(1,477)	(29)	(32)	(15)	(13)
Net cash provided by operating activities	<u>26,316</u>	<u>28,708</u>	<u>24,559</u>	<u>27,329</u>	<u>27,746</u>
Investing activities:					
Purchase of property and equipment	(44,953)	(28,738)	(12,500)	(12,444)	(13,020)
Assets limited as to use	25,092	11,285	(30)	206	47
Change in assets held for resale	(1)	-	(1)	(1)	-
Net cash used in investing activities	<u>(19,862)</u>	<u>(17,453)</u>	<u>(12,531)</u>	<u>(12,239)</u>	<u>(12,973)</u>
Financing activities:					
Refunds of deposits and refundable fees	(2,685)	(3,658)	(3,258)	(3,154)	(2,899)
Refundable entrance fees received	2,439	1,743	1,306	1,328	1,353
Payments on bonds and note payable	(3,075)	(11,590)	(11,825)	(4,430)	(3,700)
Net cash used by financing activities	<u>(3,321)</u>	<u>(13,505)</u>	<u>(13,777)</u>	<u>(6,256)</u>	<u>(5,246)</u>
Change in cash	3,133	(2,250)	(1,749)	8,834	9,527
Cash, beginning of year	<u>1,798</u>	<u>4,931</u>	<u>2,681</u>	<u>932</u>	<u>9,766</u>
Cash, end of year	<u>\$ 4,931</u>	<u>\$ 2,681</u>	<u>\$ 932</u>	<u>\$ 9,766</u>	<u>\$ 19,293</u>

## **Summary of Significant Projected Assumptions and Accounting Policies**

### **1. Nature of Business**

The United Methodist Retirement Homes, Incorporated (“UMRH”) is a not-for-profit corporation, which principally provides housing, health care, and other related services to residents through the ownership and operation of Wesley Pines Retirement Community in Lumberton, North Carolina, Croasdaile Village Retirement Community in Durham, North Carolina, and Cypress Glen Retirement Community in Greenville, North Carolina. UMRH was incorporated in North Carolina in 1946. UMRH’s corporate office is located in Durham, North Carolina.

The financial projection presents, to the best of management’s knowledge and belief, the expected financial position, results of operations, and cash flows for the projection period of UMRH, excluding its two affiliates UMRH Affordable Housing Development, LLC (“UMRH-AHD”) and The United Methodist Retirement Homes Foundation, Inc. (the “Foundation”). UMRH-AHD is a limited liability company, which was organized in North Carolina in 2002 to further the charitable purposes of UMRH by developing affordable rental housing for senior citizens. UMRH is the sole member of UMRH-AHD. The Foundation is a not-for-profit corporation which was organized in order to raise endowment funds for the residential facilities operated by UMRH, to support benevolent care for those residents who are unable to pay for continuing care at the residential facilities operated by UMRH, and to support special programs at the residential facilities operated by UMRH. Accordingly, this projection reflects management’s judgment as of February 26, 2019, the date of completion of this projection, of the expected conditions and its course of action.

The assumptions disclosed herein are those that management believes are significant to the projected statements. UMRH recognizes that there will be differences between projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

#### ***Hypothetical Assumptions***

Even if the hypothetical assumptions stated below were to occur, there will usually be differences between the projection and actual results, because, events and circumstances frequently do not occur as expected, and those differences may be material. Management has prepared its financial projection assuming the following hypothetical assumptions:

Croasdaile Village Retirement Community:

- Addition of 58 independent living and 34 assisted living units of Croasdaile Village in Durham, North Carolina in two phases occurring in the estimated time as reflected in this projection;
- Construction, development, marketing and other related costs for the Projects occur in the estimated time and at estimated costs of approximately \$75,000,000 to be completed over a period from 2017 to 2020 as reflected in this projection;
- Obtained a combination of tax-exempt public market fixed rate debt with interest rates ranging from 3.0% - 5.0% and bank placed variable rate debt at an overall assumed interest rate of 3.0% of approximately \$103,205,000 consisting of: \$15,085,000 short term bank debt to be retired by initial entrance fees from the expansion project; \$16,150,000 long term bank debt; \$49,485,000 long term tax-exempt bonds; and \$22,485,000 refunding of existing debt. Loan covenants will be established at a time commensurate with the issuance of the offering memorandum for the bonds;

**The United Methodist Retirement Homes, Incorporated**  
**Summary of Significant Projected Assumptions and Accounting Policies**

- The 58 independent living and 34 assisted living units will be successfully marketed and occupied starting in the year ending 2019 and 2021, respectively;
- Adequate demand for services will exist to support the assumed occupancy of the 58 independent living and 34 assisted living units;
- All revenues and expenses will be recognized in accordance with accounting principles generally accepted in the United States of America.

Cypress Glen Retirement Community:

- Addition of 18 independent living units at Cypress Glen in Greenville, North Carolina occurring in the estimated time as reflected in this projection.
- Construction, development, marketing and other related costs for the Project occurs in the estimated time and at estimated costs of approximately \$7,400,000 to be completed over a period from 2017 to 2021 as reflected in this projection.
- Funding will be provided by UMRH. There will be no debt added to the community.
- The 18 independent living units will be successfully marketed and occupied starting in the year 2019.
- Adequate demand for services exists to support the assumed occupancy of the 18 independent living units.
- All revenues and expenses will be recognized in accordance with accounting principles generally accepted in the United States of America.

The following table summarizes the type, number, approximate square footages, entrance fees and monthly fees for the New Cypress Glen independent living units effective as of October 1, 2018.

**Cypress Glen Independent Living Configuration**

Independent Living Unit Type	Unit Count	Square Footage	Entrance Fees				Monthly Fee <sup>(1)(2)</sup>
			Standard Plan <sup>(1)(2)</sup>	50% Refund Plan <sup>(1)(2)</sup>	80% Refund Plan <sup>(1)(2)</sup>	90% Refund Plan <sup>(1)(2)</sup>	
<i>Villas:</i>							
Hawthorn Villa	4	1,530	\$221,850	\$310,590	\$377,145	\$427,061	\$3,856
Magnolia Villa	5	1,708	\$247,660	\$346,724	\$421,022	\$476,746	\$4,236
Oak Villa	2	1,865	\$270,425	\$378,595	\$459,723	\$520,568	\$4,569
<b>Total Villas</b>	<b>11</b>	<b>1,672</b>	<b>\$242,414</b>	<b>\$339,379</b>	<b>\$412,103</b>	<b>\$466,646</b>	<b>\$4,158</b>
<i>Cottages:</i>							
Hawthorn Cottage	4	1,530	\$237,150	\$332,010	\$403,155	\$456,514	\$3,856
Oak Cottage	3	1,890	\$292,950	\$410,130	\$498,015	\$563,929	\$4,631
<b>Total Cottages</b>	<b>7</b>	<b>1,684</b>	<b>\$261,064</b>	<b>\$365,490</b>	<b>\$443,809</b>	<b>\$502,549</b>	<b>\$4,188</b>
<b>Total/Wtd Averages</b>	<b>18</b>	<b>1,677</b>	<b>\$249,667</b>	<b>\$349,533</b>	<b>\$424,433</b>	<b>\$480,609</b>	<b>\$4,170</b>

Source: Management

(1) Fees are effective October 1, 2018.

(2) The second person Monthly Fee for all Entrance Fee plans is \$1,052. The second person Entrance Fee for the New Cypress Glen Independent Living Units is \$8,746 for the Standard Plan, \$12,244 for the 50% Refund Plan, \$14,868 for the 80% Refund Plan, and \$16,836 for the 90% Refund Plan.

A hypothetical assumption is an assumption used in a financial projection to present a condition or course of action that is not necessarily expected to occur, but is consistent with the purpose of the presentation.

## **The United Methodist Retirement Homes, Incorporated Summary of Significant Projected Assumptions and Accounting Policies**

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Management's purpose in releasing this financial projection is for inclusion in the Organization's disclosure statement in accordance with Chapter 58, Article 64, of the North Carolina General Statutes. Accordingly, this report should not be used for any other purpose. The assumptions disclosed herein are those that Management believes are significant to the projection based on managements' judgment at the time of the projection. Management recognizes that there will usually be differences between the prospective and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

### **2. Description of the Croasdaile Village Retirement Community**

UMRH owns and operates Croasdaile Village, a North Carolina licensed continuing care retirement community that includes 402 independent living units, 30 assisted living units, and 110 nursing beds located in Durham, North Carolina (the "Community"). The Community offers a fee-for-service or "Type C" contract in which residents transferring through the continuum of care receive priority access into the health care services on campus. Entrance fees for the independent living units are offered under a non-refundable or "Standard Plan," a 50 percent refundable ("50% Return of Capital Plan") or a 90 percent refundable ("90% Return of Capital Plan").

The refundability of entrance fees under the plans are as follows:

- Standard Plan entrance fees decreases at 2% per month for 50 months;
- 50% Return of Capital Plan entrance fees decrease at 2% per month for 25 months; and
- 90% Return of Capital Plan entrance fees decrease at 2% per month for 5 months.

**The United Methodist Retirement Homes, Incorporated**  
**Summary of Significant Projected Assumptions and Accounting Policies**

The following table summarizes the type, number, approximate square footages, entrance fees (“Entrance Fees”) and monthly fees (“Monthly Fees”) of the Community’s Independent Living Units effective as of October 1, 2018.

<b>The Community – Independent Living Units</b>						
Independent Living Unit Type	Unit Count	Square Footage	Entrance Fees			Monthly Fee <sup>(1)(2)</sup>
			Standard Plan <sup>(1)(2)</sup>	50% Refund Plan <sup>(1)(2)</sup>	90% Refund Plan <sup>(1)(2)</sup>	
<i>Apartments:</i>						
Studio	18	400	\$57,014	\$79,820	\$102,625	\$1,936
Alcove	9	490	\$70,257	\$98,360	\$126,463	\$2,379
1 Bedroom Standard	27	770 – 840	\$122,858	\$172,001	\$221,144	\$2,897
1 Bedroom Traditional	6	850	\$130,783	\$183,096	\$235,409	\$2,961
1 Bedroom Deluxe	27	920	\$153,374	\$214,724	\$276,073	\$3,020
1 Bedroom w. Den	9	950	\$168,385	\$235,739	\$303,093	\$3,133
1 Bedroom Grande	9	965	\$163,985	\$229,579	\$295,173	\$3,180
2 Bedroom Traditional	6	1,060	\$187,196	\$262,074	\$336,953	\$3,301
2 Bedroom Standard	45	1,110 –1,190	\$177,721	\$248,809	\$319,898	\$3,350
2 Bedroom Conventional	15	1,175	\$194,467	\$272,254	\$350,041	\$3,600
2 Bedroom Deluxe	40	1,285	\$201,825	\$282,555	\$363,285	\$3,650
2 Bedroom w. Den	12	1,350	\$236,958	\$331,741	\$426,524	\$3,952
2 Bedroom Grande	9	1,350	\$224,394	\$314,152	\$403,909	\$3,948
2 Bedroom Grande II	6	1,450	\$241,433	\$338,006	\$434,579	\$4,251
2 Bedroom Executive	5	1,600	\$266,150	\$372,610	\$479,070	\$4,289
2 Bedroom Terrace A/B	2	1,800 –1,865	\$282,140 – 290,238	\$394,996 – 406,333	\$507,852 – 522,428	\$4,378
<b>Total Apartments</b>	<b>245</b>	<b>1,037</b>	<b>\$168,238</b>	<b>\$235,533</b>	<b>\$302,828</b>	<b>\$3,265</b>
<i>Heritage Hall<sup>(3)(4)</sup></i>						
Alcoves	48	485 – 565	\$24,003 – 28,884	–	–	\$4,842
1 Bedroom	8	650	\$28,884	–	–	\$4,842
<b>Total Apartments</b>	<b>56</b>	<b>545</b>	<b>\$26,792</b>	<b>–</b>	<b>–</b>	<b>\$4,842</b>
<i>Duplexes:</i>						
Appletree/Duplex	9	1,310	\$213,578	\$299,009	\$384,440	\$3,783
Beechwood/Duplex	20	1,510	\$239,787	\$335,702	\$431,617	\$3,853
Cottonwood/Duplex	9	1,640	\$263,246	\$368,544	\$473,843	\$3,949
Dogwood/Duplex	5	1,810	\$282,151	\$395,011	\$507,872	\$4,064
Elmwood/Duplex	1	1,940	\$317,240	\$444,136	\$571,032	\$4,311
Fernwood/Duplex	12	1,500	\$251,669	\$352,337	\$453,004	\$4,132
Greenwood/Duplex	10	1,700	\$285,222	\$399,311	\$513,400	\$4,151
Heartwood/Duplex	8	1,900	\$340,695	\$476,973	\$613,251	\$4,399
<b>Total Duplex Cottages</b>	<b>74</b>	<b>1,594</b>	<b>\$262,337</b>	<b>\$367,272</b>	<b>\$472,207</b>	<b>\$4,021</b>
<i>Free-Standing Homes:</i>						
Beechwood/Home	9	1,510	\$255,950	\$358,330	\$460,710	\$4,099
Cottonwood/Home	3	1,640	\$288,212	\$403,497	\$518,782	\$4,188
Dogwood/Home	8	1,810	\$310,319	\$434,447	\$558,574	\$4,308
Elmwood/Home	7	1,940	\$340,695	\$476,973	\$613,251	\$4,428
<b>Total Homes</b>	<b>27</b>	<b>1,725</b>	<b>\$297,615</b>	<b>\$416,661</b>	<b>\$535,707</b>	<b>\$4,256</b>
<b>Total/Wtd Averages<sup>(5)</sup></b>	<b>402</b>	<b>1,207</b>	<b>\$198,459</b>	<b>\$277,843</b>	<b>\$357,226</b>	<b>\$3,504</b>

**The United Methodist Retirement Homes, Incorporated**  
**Summary of Significant Projected Assumptions and Accounting Policies**

Source: Management

- (1) Fees are effective October 1, 2018.
- (2) The second person Entrance Fee for the Homestead ILUs, the Croasdaile Duplexes and the Croasdaile Homes is \$8,099, \$11,339 and \$14,579 for the standard, 50% Refund and 90% Refund plans, respectively. The second person Monthly Fee is \$1,225 for all plans.
- (3) The second person Entrance Fee is \$7,824 and the second person Monthly Fee is \$1,710 for the Heritage ILUs.
- (4) The Monthly Fee for the Heritage ILUs includes utilities, cable, wireless internet, three meals per day, weekly housekeeping and maintenance. Ambulatory clinic and therapy services available for an additional charge.
- (5) The weighted averages exclude the pricing for the Heritage ILUs.

The following table summarizes the unit types, approximate square footage and the daily fees (“Daily Fees”) for the Memory Support Units and Nursing Beds at the Community.

<b>The Community – Assisted Living</b>				
	<b>Number of Units</b>	<b>Square Footage</b>	<b>Entrance Fee<sup>(1)</sup></b>	<b>Daily Fees<sup>(1)</sup></b>
<i>Assisted Living:</i>				
Assisted Living	30	168	\$24,003	\$270
<b>Total Assisted Living Units</b>	<b>30</b>	<b>168</b>	<b>\$24,003</b>	<b>\$270</b>
<i>Nursing Beds:</i>				
Private	72	156 – 187	N/A	\$373
Semi-Private	38	220 – 264	N/A	\$333
<b>Total Nursing Beds</b>	<b>110</b>	<b>196</b>		<b>\$359</b>

Source: Management

- (1) Fees are effective October 1, 2018.

### **3. Description of the Project**

UMRH is currently completing a multi-phased expansion and repositioning project (the “Project”) at Croasdaile Village to include the following:

*Independent Living Unit Expansion:* Management is to construct 24 new independent living duplex units and 34 new independent living cottage units (collectively defined as the “New Croasdaile ILUs”).

*Assisted Living Repositioning:* Through replacement construction and renovation of existing spaces, Management is to remove from service the 30 Existing Croasdaile Assisted Living Units and create 64 replacement assisted living units (the “Repositioned Croasdaile ALUs”).

*Common Area Expansion and Renovation:* Management is to complete renovations and expansions to the common areas of the Community. Renovated common areas include the kitchen, dining space and clinic. The new common and administrative areas include: auditorium, wellness and aquatic center, spa and salon, physical and occupational therapy suite, maintenance building and outdoor recreation space. In addition, the main entrance to the Community is to be redesigned.

**The United Methodist Retirement Homes, Incorporated**  
**Summary of Significant Projected Assumptions and Accounting Policies**

The Existing Croasdaile ILUs and the New Croasdaile ILUs are collectively referred to as the “Croasdaile ILUs”.

The following table summarizes the type, number, approximate square footages, Entrance Fees Monthly Fees for the New Croasdaile ILUs effective as of October 1, 2018.

<b>Croasdaile New Independent Living Configuration</b>						
<b>Independent Living Unit Type</b>	<b>Unit Count</b>	<b>Square Footage</b>	<b>Entrance Fees</b>			<b>Monthly Fee<sup>(1)(2)</sup></b>
			<b>Standard Plan<sup>(1)(2)</sup></b>	<b>50% Refund Plan<sup>(1)(2)</sup></b>	<b>90% Refund Plan<sup>(1)(2)</sup></b>	
<i>Park Homes:</i>						
Aspen	4	1,404	\$258,132	\$361,385	\$464,638	\$3,647
Birch	4	1,455	\$267,509	\$374,513	\$481,516	\$3,822
Maple	8	1,675	\$304,437	\$426,212	\$547,987	\$3,934
Oak	8	1,877	\$335,236	\$469,330	\$603,425	\$4,030
<b>Total Duplex Cottages</b>	<b>24</b>	<b>1,661</b>	<b>\$300,831</b>	<b>\$421,164</b>	<b>\$541,496</b>	<b>\$3,900</b>
<i>Duplexes:</i>						
Fernwood II Duplex	11	1,469	\$270,083	\$378,116	\$486,149	\$3,916
Greenwood II Duplex	15	1,659	\$305,016	\$427,022	\$549,029	\$4,062
Heartwood II Duplex	8	1,938	\$364,455	\$510,237	\$656,019	\$4,198
<b>Total Homes</b>	<b>34</b>	<b>1,663</b>	<b>\$307,700</b>	<b>\$430,780</b>	<b>\$553,860</b>	<b>\$4,047</b>
<b>Total/Wtd Averages</b>	<b>58</b>	<b>1,662</b>	<b>\$304,858</b>	<b>\$426,801</b>	<b>\$548,744</b>	<b>\$3,986</b>

Source: Management

(3) Fees are effective October 1, 2018.

(4) The second person Monthly Fee for all Entrance Fee plans is \$1,225. The second person Entrance Fee for the New Croasdaile ILUs is \$8,099 for the Standard Plan, \$11,339 for the 50% Refund Plan and \$14,579 for the 90% Refund Plan.

The following table summarizes the unit types, approximate square footages and Daily Rates for the Repositioned Croasdaile ALUs.

<b>Repositioned Croasdaile ALUs – Unit/Bed Configuration</b>		
	<b>Number of Units</b>	<b>Daily Fee<sup>(1)</sup></b>
<i>Converted Assisted Living Units:</i>		
Semi-Private Rooms	4	\$270
One Bedroom	60	\$270
<b>Total/Weighted Average</b>	<b>64</b>	<b>\$270</b>

Source: Management

(1) Fees are effective October 1, 2018.

**The United Methodist Retirement Homes, Incorporated**  
**Summary of Significant Projected Assumptions and Accounting Policies**

**4. Summary of Significant Assumptions**

The following table presents the assumed Entrance Fees received and Entrance Fees refunded.

	Entrance Fees Receipts and Refunds (In Thousands)				
	For the Year Ending September 30,				
	2019	2020	2021	2022	2023
Number of Entrance Fees Received (Initial)					
<i>Croasdaile Village</i>	49.0	-	-	-	-
Entrance Fees Received (Initial)					
<i>Croasdaile Village</i>	\$14,645	-	-	-	-
Number of Entrance Fees Received (Attrition)					
<i>Croasdaile Village</i>	30.00	46.85	46.92	47.15	47.34
<i>Cypress Glen</i>	27.62	46.99	34.44	34.03	33.82
<i>Wesley Pines</i>	2.0	1.0	1.0	1.0	1.0
<i>Total number of Entrance Fees received</i>	108.62	94.84	82.36	82.18	82.16
Entrance Fees Received (Attrition)					
<i>Croasdaile Village</i>	\$7,467	\$11,019	\$11,347	\$11,737	\$12,127
<i>Cypress Glen</i>	\$3,155	\$11,318	\$4,032	\$4,112	\$4,207
<i>Wesley Pines</i>	\$151	\$154	\$156	\$160	\$162
<i>Entrance Fees received (Attrition)</i>	\$10,773	\$22,491	\$15,535	\$16,009	\$16,496
Total Entrance Fees Received (all)	\$25,418	\$22,491	\$15,535	\$16,009	\$16,496
Total Entrance Fees Refunded	\$(2,685)	\$(3,658)	\$(3,258)	\$(3,154)	\$(2,899)
<b>Entrance Fees Received, Net of Refunds</b>	<b>\$22,733</b>	<b>\$18,833</b>	<b>\$12,277</b>	<b>\$12,855</b>	<b>\$13,597</b>

Source: Management

Entrance fees for the Croasdaile and Cypress Glen ILUs and are assumed to increase 2.0 percent, and Wesley Pines ILUs are assumed to remain consistent during the forecast period.

The following table summarizes the historical and projected utilization of the Existing Croasdaile ILUs and the New Croasdaile ILUs.



**The United Methodist Retirement Homes, Incorporated**  
**Summary of Significant Projected Assumptions and Accounting Policies**

Utilization of the Croasdaile Independent Living Units							
Fiscal Year Ending September 30,	Existing Croasdaile ILUs			New Croasdaile ILUs			Total Occupancy
	Average Units Occupied	Average Units Available	Average Occupancy	Average Units Occupied	Average Units Available	Average Occupancy	
<i>Historical</i>							
2015	376.3	402.0	93.6%	—	—	—	93.6%
2016	379.1	402.0	94.1%	—	—	—	94.1%
2017	372.3	402.0	92.9%	—	—	—	92.9%
2018	367.4	399.6	91.9%	13.3	19.3	68.9%	90.9%
<i>Forecasted</i>							
2019	373.9	402.0	93.0%	48.0	58.0	82.8%	93.1%
2020	373.9	402.0	93.0%	54.0	58.0	93.1%	92.8%
2021	373.9	402.0	93.0%	54.0	58.0	93.1%	94.1%
2022	373.9	402.0	93.0%	54.0	58.0	93.1%	94.1%
2023	373.9	402.0	93.0%	54.0	58.0	93.1%	94.1%

Source: Management

The double occupancy rate for the Existing Croasdaile ILUs is assumed to approximate 34.1 percent of occupied units in fiscal year 2018. The double occupancy rate for the New Croasdaile ILUs was 78.0 percent beginning in fiscal year 2018 and is assumed to remain consistent throughout the remainder of the forecast period.

The following is a schedule of projected deposit and move-in rates:

	Croasdaile Village 58 Unit IL Expansion Monthly Fee Assumptions				
	2019	2020	2021	2022	2023
Average census:					
First persons	54	54	54	54	54
Second persons	24	24	21	19	17
Total residents	78	78	75	73	71
Average monthly fees:					
First persons	\$ 5,610	\$ 5,920	\$ 6,127	\$ 6,342	\$ 6,564
Second persons	\$ 1,270	\$ 1,340	\$ 1,387	\$ 1,435	\$ 1,486
Other revenue per occupied unit	\$ 106	\$ 109	\$ 113	\$ 116	\$ 119
Calculated annual fee revenue:					
First person annual fees	\$ 3,243,816	\$ 3,836,121	\$ 3,970,386	\$ 4,109,349	\$ 4,253,176
Second person annual fees	339,075	385,837	349,423	327,210	303,144
Total annual fee revenue	3,582,891	4,221,958	4,319,809	4,436,559	4,556,320
Other revenue	60,267	70,902	73,029	75,220	77,476
Total IL revenue	\$ 3,643,158	\$ 4,292,860	\$ 4,392,838	\$ 4,511,779	\$ 4,633,796

**The United Methodist Retirement Homes, Incorporated**  
**Summary of Significant Projected Assumptions and Accounting Policies**

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**5. Significant Accounting Policies**

***Basis of Presentation***

The financial statements included in the projection have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) with the exception of excluding its two Affiliates. Significant accounting policies are described in the appropriate assumptions and notes to the projected financial statements. The assumptions described are not all-inclusive, however.

***Use of Estimates***

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

***Cash***

Investments presented in the balance sheets are not considered cash equivalents since UMRH considers them part of their investing activities.

***Contributions Receivable***

Unconditional promises to give cash and other assets to UMRH are reported at discounted present value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at discounted present value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the projected statements of operations and changes in net assets as net assets released from restriction.

***Investments***

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the projected balance sheets. Interest and dividends are included in excess of revenues over expenses unless the income is restricted by donor or law.

***Assets Limited as to Use***

Assets limited as to use consist of funds limited by board designation for benevolent assistance of residents, funds held for debt service in accordance with UMRH’s bond orders, funds held for future construction, as well as funds reserved by insurance regulation. Additional assets are held for residents.

Insurance regulation assets limited as to use represent funds reserved to comply with North Carolina Department of Insurance regulations. The amount of this reserve is calculated annually in accordance with the requirements of N.C. General Statute 58, Article 64. These investments consist of marketable debt and equity securities and are stated at fair value.

***Inventories***

Inventories are stated at average cost (approximately first-in first-out) not in excess of market.

# The United Methodist Retirement Homes, Incorporated

## Summary of Significant Projected Assumptions and Accounting Policies

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### ***Assets Held for Resale***

Assets held for resale consist of gifted properties, stated at net book value, which approximates fair value.

### ***Property and Equipment***

Property and equipment are recorded at cost. Donated property is recorded at its estimated fair value at the date of receipt, which is then treated as cost. The cost of major renewals and betterments are capitalized and depreciated over their estimated useful lives. Upon disposition of equipment, the asset and related accumulated depreciation accounts are relieved and the related gain or loss is credited or charged to operating gains or losses. Expenditures for repairs and maintenance are charged to expense as incurred.

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

Land improvements	8 to 30 years
Buildings and improvements	5 to 40 years
Furniture and equipment	2 to 25 years

### ***Funds Held for Others***

The liability balance represents agency funds held in trust for UMRH residents. The related asset is included in assets limited as to use. Activity related to these funds is not recorded in UMRH's statements of projected operations and changes in net assets.

### ***Liability for Refundable Advance Fees***

Optional Entrance Fee plans available to residents include a standard rate plan, a 50% refundable, 80% refundable, and a 90% refundable plan. The non-refundable portions of these fees are recorded as deferred revenue. The refundable portion is treated as a long-term liability. Refunds of refundable entrance fees are paid upon termination of the agreement (provided the resident's independent living unit is reoccupied) or within twenty-four months, whichever occurs first.

### ***Deferred Revenue from Non-refundable Advance Fees***

Deferred revenue from non-refundable 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. These advance fees may be partially refundable upon termination of the agreement and generally decline at a rate of 2% per month of occupancy and are paid after termination of the residency agreement (provided the resident's independent living unit is reoccupied) or within twenty-four months, whichever occurs first.

Advance fees are recorded as deferred revenue and recognized as revenue earned on a straight-line basis over the estimated remaining life, actuarially adjusted annually, of each resident beginning with the date of occupancy. Any unrecognized deferred revenue, less any related refund, at the date of death or termination of the contract is recorded as income in the period the death or termination of the contract occurs.

### ***Net Assets***

Net assets of UMRH and changes therein are classified and reported as follows:

***Unrestricted Net Assets*** - Net assets that are not subject to donor-imposed stipulations.

***Temporarily Restricted Net Assets*** - Net assets subject to donor-imposed stipulations that may or will be met either by action of UMRH and/or the passage of time.

## **The United Methodist Retirement Homes, Incorporated**

### **Summary of Significant Projected Assumptions and Accounting Policies**

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***Permanently Restricted Net Assets*** - Net assets subject to donor-imposed stipulations that they be maintained permanently by UMRH. Generally, the donors of these assets permit UMRH to use all or part of the income earned on related investments for general or specific purposes.

***Net Asset Released from Restrictions*** - UMRH reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor-imposed restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of projected operations and changes in net assets as net assets released from restrictions.

The FASB issued ASU 2016-14, Not for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, to improve the presentation of financial statements of not-for-profit entities. The standard addresses key qualitative and quantitative matters including net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. The amendments in ASU 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Pinnacle Living is evaluating any impacts on the financial statements which might result from application of this new standard. Management has not adopted this standard nor has the Company determined the effect of this guidance, on its projected financial position, projected results of operations and projected cash flows.

#### ***Net Resident Services Revenue***

Net resident services revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, and include 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 UMRH have been immaterial in relation to the 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 the related services are rendered. Differences between the amounts accrued and subsequent settlements are recorded in operations in the year of settlement.

In May 2014, the FASB issued ASU 2014-09 "*Revenue from Contracts with Customers*," which will eliminate the transaction and industry-specific revenue recognition guidance under current GAAP and replace it with a principle-based approach using the following five steps: 1) identify the contract(s) with a customer, 2) identify the performance obligations in the contract, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations in the contract and 5) recognize revenue when (or as) the entity satisfies a performance obligation. In August 2015, the FASB issued ASU 2015-14 "*Revenue from Contracts with Customers (Topic 606), Deferral of the Effective Date*" which granted a one-year deferral of this ASU. The guidance in ASU 2014-09 will now be effective for the Company beginning October 1, 2019, with early adoption permitted. The guidance allows for either a full retrospective or a modified retrospective transition method. Management has not adopted this standard nor has the Company determined the effect of this guidance, including the transition method, on its projected financial position, projected results of operations and projected cash flows.

#### ***Benevolent Assistance***

UMRH currently maintains a benevolent assistance program and policy for residents holding continuing care residency agreements in the event the resident(s) should become unable to pay for services. UMRH reserves the right to change the program and policy from time to time. The benevolent assistance policy will not apply to residents who have impaired their ability to meet financial obligations by transferring

## **The United Methodist Retirement Homes, Incorporated**

### **Summary of Significant Projected Assumptions and Accounting Policies**

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assets other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance after assuming occupancy. Upon review of each resident's individual financial situation, UMRH may permit the resident to remain at the facility for a lesser fee based on the resident's ability to pay, but only after meeting all of the "spend-down" provisions of eligibility for the Medicaid program and any public assistance funds. UMRH may decline new benevolent assistance applications if it is determined that deferment of such charges may impair the UMRH's ability to operate on a sound financial basis. Since UMRH does not expect to collect the normal charges for services provided for those residents who meet the benevolent assistance provisions, charges for such assistance are not included in revenue.

#### ***Continuing-Care Contracts***

UMRH enters into continuing-care contracts with various residents. A continuing-care contract is an agreement between a resident and UMRH specifying the services and facilities to be provided to a resident over his or her remaining life. Under the contracts, UMRH has the ability to increase fees as deemed necessary. No obligation for future costs associated with these contracts has been provided by UMRH because management believes that future cash inflows will be sufficient to cover such costs.

#### ***Concentration of Credit Risk***

Concentrations of credit risk with respect to patient accounts receivable are limited due to the formalized agreements with third-party payors. UMRH has significant accounts receivable whose collectability or realizability is dependent upon the performance of certain governmental programs, primarily Medicare and North Carolina Medicaid. Management does not believe there are significant credit risks associated with these governmental programs. An allowance for uncollectible accounts is provided in an amount equal to the estimated losses to be incurred in collection of the receivables. The allowance is based on historical collection experience and a review of the current status of the existing receivables.

#### ***Income Taxes***

UMRH has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code ("IRC") and is exempt from federal income taxes pursuant to Section 501(a) of the IRC. Accordingly, no provision for income taxes is included in the accompanying projected financial statements.

## **6. Summary of Significant Projected Balance Sheet Assumptions**

#### ***Cash***

Projected cash is a result from the application of all other assumptions.

#### ***Investments***

Projected short-term investments are a result of all other projected changes. The projected amounts do not include any estimate for a change in the fair value of the underlying securities.

#### ***Accounts Receivable, net***

The 2019 projected accounts receivable is based on the 2019 budget. Projected accounts receivable are based on the percentage change in projected operating revenues and are projected to increase by an average of approximately 6.9% in 2020 through 2023. Other receivables are projected to increase by an average of approximately 9.4% in 2020 through 2023.

#### ***Assets Limited as to Use***

Projected assets limited as to use is based on the projected change in restricted cash.

**The United Methodist Retirement Homes, Incorporated**  
**Summary of Significant Projected Assumptions and Accounting Policies**

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***Inventories***

The 2019 balances are based on the 2019 budget. Inventories are projected to increase by an average of approximately 3.0% in years 2020 through 2023.

***Prepaid Expenses and other current assets***

The 2019 balances are based on the 2019 budget. Prepaid expenses and other current assets are projected to increase by an average of approximately 3.9% in years 2020 through 2023.

***Property and Equipment***

The 2019 property and equipment additions are based on UMRH's budgeted additions. Additions are estimated to be as follows (dollars in thousands).

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Beginning of year, property and equipment	\$ 268,116	\$ 313,068	\$ 341,803	\$ 353,638	\$ 366,003
Routine additions	10,842	11,327	12,500	12,444	13,020
Expansion (including capitalized Interest)	<u>34,111</u>	<u>17,411</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year, property and equipment	313,069	341,806	354,303	366,082	379,023
Accumulated depreciation	<u>(114,077)</u>	<u>(123,246)</u>	<u>(134,475)</u>	<u>(144,997)</u>	<u>(156,122)</u>
Total property and equipment, net	<u>\$ 198,992</u>	<u>\$ 218,560</u>	<u>\$ 219,828</u>	<u>\$ 221,085</u>	<u>\$ 222,901</u>

Projected depreciation is computed on the straight-line method over the estimated lives of depreciable property and equipment. The projection assumes all disposals during the projection period will be fully depreciated with no resulting gain or loss.

***Contributions Receivable from UMRH Foundation***

Contributions receivable from UMRH Foundation are projected to decrease in 2022 at the completion of the Croasdaile Village expansion.

***Due to Related Party***

Due to related parties represents the net amount due to affiliates of UMRH. The 2019 balance is based on the 2019 budget and projected to increase approximately 4.8% in years 2020 through 2023.

***Accounts Payable and Accrued Salaries and Related Expenses***

The 2019 balances are based on the 2019 budget. Projected accounts payable and accrued expenses are based on the percentage change in projected operating expenses and capital expenditures less depreciation expense, and are projected to increase by an average of approximately 6.9% in years 2020 through 2023.

***Deferred Entrance Fee Revenue and Entrance Fees Earned***

Projected annual resident entry fees are based on estimated average unit prices times an actuarial projected number of units released coupled with a 1.33% per year increase in the average entry fee for the years 2020 through 2023. Projected refunds are based on actuarial estimates of the number of refunds times the estimated average refund potential. Amortization into revenue of these advance fees is computed using the straight-line method over the estimated remaining life expectancy of the resident.

## **The United Methodist Retirement Homes, Incorporated**

### **Summary of Significant Projected Assumptions and Accounting Policies**

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#### ***Long-Term Debt***

In February 2010, the Company converted the remaining outstanding balance on the Series 2005B Bonds to bank qualified mode. The interest rate on the 2005B Bonds is variable based on prevailing market rates and is reset monthly based on 68% of 1-Month LIBOR plus 1.1325%.

In April 2013, the Company issued \$8,370,000 of tax-exempt, fixed rate First Mortgage Revenue Refunding Bonds ("2013A Bonds") through the North Carolina Medical Care Commission. The proceeds of the 2013A Bonds, net of issuance expense and fund amounts deposited into a debt service reserve fund, along with cash reserves held by the Company, were used to refund the Series 2004C Bonds total outstanding debt.

In September 2014, the Company issued \$12,025,000 of tax-exempt, variable First Mortgage Revenue Refunding Bonds ("2014A Bonds") through the North Carolina Medical Care Commission. Of this total amount, \$1,310,000 funded the partial refunding of the Series 2005B Bonds and \$10,715,000 refunded the entirety of the Series 2004A and a portion of the Series 2005A Bonds, which was funded on October 1, 2014. The interest rate on the 2014A Bonds is variable based on prevailing market rates and is reset monthly based on 82.65% of 1-Month LIBOR plus 1.692%. The Company entered into an interest rate swap agreement on the Series 2014A Bonds, which is described below.

In December 2014, the North Carolina Medical Care Commission authorized the issuance of tax-exempt, adjustable rate Retirement Facilities First Mortgage Revenue Refunding Bonds, Series 2014B ("2014B Bonds") in the aggregate principal amount of up to \$16,630,000. Of this total amount, \$6,390,000 and \$10,040,000 funded the partial refunding of the Series 2005C Bonds due October 1, 2019 and October 1, 2024, respectively. The amounts were funded on October 1, 2015. The interest rate on the 2014B Bonds is variable based on prevailing market rates and is reset monthly based on 82.65% of 1-Month LIBOR plus 1.692%. The Company entered into an interest rate swap agreement on the Series 2014B Bonds, which is described below.

In May 2016, the North Carolina Medical Care Commission authorized the issuance of tax-exempt, fixed rate Retirement Facilities First Mortgage Revenue Refunding Bonds, Series 2016A ("2016A Bonds") in the aggregate principal amount of up to \$34,485,000. The bond funds were used to refund the entirety of the 2005A Bonds due October 1, 2025 and October 1, 2035, and the remaining outstanding amount of \$22,715,000 of the 2005C Bonds due October 1, 2032.

In December 2017, the Company issued \$71,970,000 of rated tax-exempt fixed rate Series 2017A Bonds ("2017A Bonds"), consisting of serial and term maturities from October 1, 2018 to October 1, 2047 and \$31,235,000 of tax-exempt direct purchase bank revenue Series 2017B Bonds ("2017 Bonds") issued by the North Carolina Medical Care Commission and to be purchased by BB&T Community Holdings Co. The 2017B Bonds consist of \$16,150,000 of Series 2017B-1 Bonds to be redeemed by October 1, 2041 and \$15,085,000 of Series 2017B-2 Bonds, to be redeemed in full by October 1, 2020 with initial entrance fee proceeds received from the Project's new independent living units. The interest rate on the 2017B Bonds is variable based on prevailing market rates and is reset monthly based on 82.65% of 1-Month LIBOR plus 0.988%.

## **The United Methodist Retirement Homes, Incorporated**

### **Summary of Significant Projected Assumptions and Accounting Policies**

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Principal repayments, excluding discounts and premiums, for the next five years and thereafter, are summarized as follows (in thousands):

2019	\$	3,075
2020		11,590
2021		11,825
2022		4,430
2023		3,700
Thereafter		<u>137,767</u>
	\$	<u>172,387</u>

#### ***Interest Rate Swaps***

Variable rate long-term debt exposes the Company to variability in interest payments due to changes in interest rates. Management believes it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management entered into interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk. The 2019 balance is based on the 2019 budget and is projected to remain consistent over the projected period.

In August 2014, the Company entered into a forward interest rate swap agreement with a financial institution in conjunction with the 2014A Bonds that took effect October 1, 2014. The Company pays a fixed rate of 2.97% while the financial institution pays based on 78% of 1-Month LIBOR plus 1.3925%. The difference between the fixed and floating rates is accrued and recorded in interest expense in the accompanying projected statements of operations and changes in net assets. The fair value of this derivative instrument is recorded on the projected balance sheets as a long-term liability.

In December 2014, the Company entered into a forward interest rate swap agreement with a financial institution in conjunction with the 2014B Bonds that took effect October 1, 2015. The Company pays a fixed rate of 3.195% while the financial institution pays based on 78% of 1-Month Libor plus 1.3925%. The difference between the fixed and floating rates is accrued and recorded in interest expense in the accompanying projected statements of operations and changes in net assets. The fair value of this derivative instrument is recorded on the projected balance sheets as a long-term liability.

By using an interest rate swap to hedge exposure to change in interest rates, the Company exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. Market risk is the adverse effect on the value of the financial instrument that results from a change in interest rates. The market risk associated with an interest rate swap is managed by establishing and monitoring parameters that limit the types and degrees of market risk that may be undertaken.

## **7. Summary of Significant Projected Assumptions for Revenues and Expenses**

### ***Resident Services***

Apartments, Health Care Center, Assisted Living, Memory Care and Home Care revenue is reported at the estimated net realizable amounts from residents. They are based on average daily fees and occupancy levels. Daily rates are projected based on 2019 budgeted rates for each type of unit. Apartment revenues are projected to increase on average approximately 8.2% in years 2020 through 2023. Health Care Center revenues are projected to increase on average approximately 2.5% in years 2020 through 2023. Assisted Living revenues are projected to increase approximately 41.3% in 2020 with an average increase of 5.9% in years 2021 through 2023. Memory Care revenues are projected to



**The United Methodist Retirement Homes, Incorporated**  
**Summary of Significant Projected Assumptions and Accounting Policies**

increase on average approximately 3.0% in years 2020 through 2023. Home Care revenues are projected to increase on average approximately 4.0% in years 2020 through 2023.

**Investment Income**

Investment income is projected to increase on average approximately 20.9% in 2020 with an average increase of 2.3% in years 2021 through 2023.

**Other Revenue**

Other revenue is based on budgeted other revenue for 2019 and is projected to remain consistent throughout the projection period.

**Expenses**

2019 expenses, which include resident care, dietary, housekeeping, plant, and general and administrative expenses are projected based on the 2019 budget. Expenses are projected to increase approximately 4.4% in years 2020 through 2023.

**8. Debt Service Coverage Ratio**

Credit analysts and lenders generally consider the debt service coverage ratio to be an important factor in evaluating a continuing care retirement community's ability to fund annual debt service with cash flow from net cash revenues and net entrance fees. The debt service coverage ratio computation is not defined by GAAP and is described as a non-GAAP metric. The lack of standardization in calculating debt service coverage ratios makes it difficult to draw relevant comparisons among companies.

The debt service coverage ratio as calculated below comes from the 2014 Financial Ratios & Trends of CARF-CCAC Accredited Organizations, calculated using annual debt service (the current year's capitalized interest cost plus interest expense and scheduled principal payments) in the denominator as annual debt service. (dollars in thousands):

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Excess of revenue over expenses	\$ 7,918	\$ 12,064	\$ 12,643	\$ 14,057	\$ 15,257
Interest expense	4,461	6,375	5,988	5,733	5,541
Depreciation	10,169	9,170	11,233	11,186	11,204
Net proceeds from advance fees	22,733	18,832	12,278	12,856	13,598
Amortization of deferred resident fees	<u>(11,716)</u>	<u>(11,489)</u>	<u>(12,208)</u>	<u>(12,469)</u>	<u>(12,769)</u>
Cash available for debt service (1)	<u>\$ 33,565</u>	<u>\$ 34,952</u>	<u>\$ 29,934</u>	<u>\$ 31,363</u>	<u>\$ 32,831</u>
Interest (A)	\$ 4,461	\$ 6,375	\$ 5,988	\$ 5,733	\$ 5,541
Principal payments	<u>3,075</u>	<u>11,590</u>	<u>11,825</u>	<u>4,430</u>	<u>3,700</u>
Annual Debt Service (2)	<u>\$ 7,536</u>	<u>\$ 17,965</u>	<u>\$ 17,813</u>	<u>\$ 10,163</u>	<u>\$ 9,241</u>
Debt Service Coverage Ratio (1/2)	<u>4.45</u>	<u>1.95</u>	<u>1.68</u>	<u>3.09</u>	<u>3.55</u>

(A) Interest includes interest capitalized and interest expense as assumed by management.

***Supplementary Information***

**Wesley Pines Retirement Community**  
**Projected Balance Sheets**  
**September 30, 2019 through 2023**  
**(dollars in thousands)**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>ASSETS</b>					
Current assets:					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions receivable from UMRH Foundation, current portion	35	35	35	35	35
Assets limited as to use - all other, current portion	4	4	4	4	4
Accounts receivable, net	687	703	721	738	757
Other receivables	13	14	14	15	15
Inventories	22	23	23	24	25
Prepaid expenses and other current assets	211	216	222	228	233
Total current assets	<u>972</u>	<u>995</u>	<u>1,019</u>	<u>1,044</u>	<u>1,069</u>
Assets limited as to use:					
Assets limited as to use - statutory operating reserve current portion	<u>2,174</u>	<u>2,283</u>	<u>2,344</u>	<u>2,441</u>	<u>2,514</u>
Property and equipment, net	<u>12,332</u>	<u>11,976</u>	<u>11,652</u>	<u>11,370</u>	<u>11,127</u>
Other assets:					
Assets held for resale	32	33	33	33	33
Contributions receivable from UMRH Foundation, net of current portion	529	529	529	529	529
	<u>561</u>	<u>562</u>	<u>562</u>	<u>562</u>	<u>562</u>
Total assets	<u>\$ 16,039</u>	<u>\$ 15,816</u>	<u>\$ 15,577</u>	<u>\$ 15,417</u>	<u>\$ 15,272</u>
<b>LIABILITIES AND NET ASSETS</b>					
Current liabilities:					
Bonds payable, current portion	\$ 73	\$ 79	\$ 86	\$ 98	\$ 213
Accounts payable	238	245	253	261	267
Accrued salaries and related expenses	487	827	1,014	1,213	1,422
Accrued interest payable	10	17	32	31	31
Insurance regulation - statutory operating reserve	2,174	2,283	2,344	2,441	2,514
Due to related parties	3,149	4,014	4,908	5,923	6,987
Other	71	71	71	71	71
Total current liabilities	<u>6,202</u>	<u>7,536</u>	<u>8,708</u>	<u>10,038</u>	<u>11,505</u>
Long-term liabilities:					
Bonds payable, less current portion	8,679	8,596	8,505	8,396	8,172
Liability for refundable advanced fees	53	52	54	54	56
Deferred revenue for non-refundable advanced fees	1,684	1,211	1,163	1,063	991
Fund held for others	3	3	3	3	3
Total liabilities	<u>16,621</u>	<u>17,398</u>	<u>18,433</u>	<u>19,554</u>	<u>20,727</u>
Net assets (deficit):					
Unrestricted	(1,147)	(2,147)	(3,421)	(4,702)	(6,020)
Temporarily restricted	344	344	344	344	344
Permanently restricted	221	221	221	221	221
Total net assets (deficit)	<u>(582)</u>	<u>(1,582)</u>	<u>(2,856)</u>	<u>(4,137)</u>	<u>(5,455)</u>
Total liabilities and net assets	<u>\$ 16,039</u>	<u>\$ 15,816</u>	<u>\$ 15,577</u>	<u>\$ 15,417</u>	<u>\$ 15,272</u>

**Wesley Pines Retirement Community**  
**Projected Statements of Operations and Changes in Net Assets (Deficit)**  
**For the years ending September 30, 2019 through 2023**  
**(dollars in thousands)**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenue:					
Net resident services, apartments	\$ 774	\$ 801	\$ 829	\$ 858	\$ 888
Net resident services, health care center	5,132	5,230	5,329	5,430	5,534
Net resident services, assisted living	1,845	1,909	1,976	2,045	2,117
Amortization of advanced fees	236	228	164	158	144
Net assets released from restriction	29	25	22	20	19
Other	-	-	-	-	-
<b>Total revenue</b>	<u>8,016</u>	<u>8,193</u>	<u>8,320</u>	<u>8,511</u>	<u>8,702</u>
Expenses:					
Health care center	3,592	3,700	3,811	3,925	4,043
Assisted living	481	496	511	526	542
Resident services	123	127	131	135	139
Dietary and food service	1,281	1,320	1,360	1,400	1,442
Housekeeping	481	495	510	526	541
Plant	629	648	668	688	708
General and administration	831	855	878	904	931
Depreciation	686	552	528	495	467
Interest	839	204	382	372	363
Corporate allocation - depreciation	37	20	15	8	5
Corporate allocation - all other	722	776	800	813	839
<b>Total expenses</b>	<u>9,702</u>	<u>9,193</u>	<u>9,594</u>	<u>9,792</u>	<u>10,020</u>
Deficiency of revenue over expenses and change in net assets	(1,686)	(1,000)	(1,274)	(1,281)	(1,318)
Net assets (deficit) beginning of year	<u>1,104</u>	<u>(582)</u>	<u>(1,582)</u>	<u>(2,856)</u>	<u>(4,137)</u>
<b>Net assets (deficit) end of year</b>	<u>\$ (582)</u>	<u>\$ (1,582)</u>	<u>\$ (2,856)</u>	<u>\$ (4,137)</u>	<u>\$ (5,455)</u>

**Wesley Pines Retirement Community**  
**Projected Statements of Cash Flows**  
**For the years ending September 30, 2019 through 2023**  
**(dollars in thousands)**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Operating activities:					
Change in net assets	\$ (1,686)	\$ (1,000)	\$ (1,274)	\$ (1,281)	\$ (1,318)
Adjustments to reconcile change in net assets to net cash from operating activities:					
Depreciation	686	552	528	495	467
Amortization of deferred financing costs	2	2	2	4	5
Amortization of bond premium	(5)	(6)	(7)	(15)	(16)
Amortization of advanced fees	(236)	(228)	(164)	(158)	(144)
Non-refundable entrance fees received	147	152	154	157	159
Bad debt expense	36	83	85	87	89
Net change in:					
Accounts receivable - residents and patients	(52)	(100)	(102)	(105)	(108)
Accounts receivable - other	24	-	-	-	(1)
Due to/from related parties	1,245	865	894	1,015	1,063
Inventories	-	(1)	(1)	(1)	(1)
Prepaid expenses and other current assets	(5)	(5)	(6)	(6)	(6)
Accounts payable	25	6	7	7	8
Accrued salaries and related expenses	155	340	188	198	209
Accrued interest payable	(180)	7	15	-	(1)
Net cash provided by operating activities	<u>156</u>	<u>667</u>	<u>319</u>	<u>397</u>	<u>405</u>
Investing activities:					
Purchase of property and equipment	(187)	(195)	(204)	(213)	(223)
Change in assets held for resale	-	-	-	-	-
Net cash used in investing activities	<u>(187)</u>	<u>(195)</u>	<u>(204)</u>	<u>(213)</u>	<u>(223)</u>
Financing activities:					
Refunds of deposits and refundable fees	27	(401)	(38)	(101)	(87)
Refundable entrance fees received	4	2	2	3	3
Payments on bonds and note payable	-	(73)	(79)	(86)	(98)
Net cash provided by (used in) financing activities	<u>31</u>	<u>(472)</u>	<u>(115)</u>	<u>(184)</u>	<u>(182)</u>
Change in cash	-	-	-	-	-
Cash, beginning of year	-	-	-	-	-
Cash, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Cypress Glen Retirement Community**  
**Projected Balance Sheets**  
**September 30, 2019 through 2023**  
**(dollars in thousands)**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>ASSETS</b>					
Current assets:					
Cash	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2
Contributions receivable from UMRH Foundation, current portion	152	152	152	152	152
Assets limited as to use - debt service, current portion	200	200	199	199	198
Assets limited as to use - future construction, current portion	257	4,620	4,620	4,620	4,620
Assets limited as to use - all other, current portion	350	350	350	350	350
Accounts receivable, net	271	297	339	349	360
Other receivables	258	568	326	329	335
Due from related parties	19,365	14,692	10,038	5,676	1,846
Inventories	30	31	32	33	34
Prepaid expenses and other current assets	212	218	223	229	235
Total current assets	<u>21,097</u>	<u>21,130</u>	<u>16,281</u>	<u>11,939</u>	<u>8,132</u>
Assets limited as to use:					
Assets limited as to use - statutory operating reserve	3,400	3,584	3,688	3,793	3,900
Assets limited as to use - debt service, net of current portion	1,463	1,468	1,468	1,468	1,468
Assets limited as to use - all other, net of current portion current portion	<u>1,145</u>	<u>1,174</u>	<u>1,203</u>	<u>1,233</u>	<u>1,264</u>
	<u>6,008</u>	<u>6,226</u>	<u>6,359</u>	<u>6,494</u>	<u>6,632</u>
Property and equipment, net	41,616	50,003	55,481	60,430	65,507
Other assets:					
Interest rate swap agreement	61	61	61	61	61
Contributions receivable from UMRH Foundation, net of current portion	<u>1,617</u>	<u>1,617</u>	<u>1,617</u>	<u>1,617</u>	<u>1,617</u>
	<u>1,678</u>	<u>1,678</u>	<u>1,678</u>	<u>1,678</u>	<u>1,678</u>
Total assets	<u>\$ 70,399</u>	<u>\$ 79,037</u>	<u>\$ 79,799</u>	<u>\$ 80,541</u>	<u>\$ 81,949</u>
<b>LIABILITIES AND NET ASSETS</b>					
Current liabilities:					
Bonds payable, current portion	\$ 952	\$ 989	\$ 1,014	\$ 407	\$ 386
Accounts payable	1,127	1,170	1,212	1,254	1,301
Accrued salaries and related expenses	903	1,521	1,892	2,251	2,629
Accrued interest payable	216	218	225	222	220
Insurance regulation - statutory operating reserve	3,400	3,584	3,688	3,793	3,900
Total current liabilities	<u>6,598</u>	<u>7,482</u>	<u>8,031</u>	<u>7,927</u>	<u>8,436</u>
Long-term liabilities:					
Bonds payable, less current portion	16,021	15,046	14,046	13,646	13,266
Liability for refundable advanced fees	4,499	5,187	5,429	5,682	5,950
Deferred revenue for non-refundable advanced fees	14,019	20,526	19,540	18,767	18,179
Fund held for others	220	220	220	220	220
Total liabilities	<u>41,357</u>	<u>48,461</u>	<u>47,266</u>	<u>46,242</u>	<u>46,051</u>
Net assets:					
Unrestricted	26,027	27,561	29,518	31,284	32,883
Temporarily restricted	2,118	2,118	2,118	2,118	2,118
Permanently restricted	897	897	897	897	897
Total net assets	<u>29,042</u>	<u>30,576</u>	<u>32,533</u>	<u>34,299</u>	<u>35,898</u>
Total liabilities and net assets	<u>\$ 70,399</u>	<u>\$ 79,037</u>	<u>\$ 79,799</u>	<u>\$ 80,541</u>	<u>\$ 81,949</u>

**Cypress Glen Retirement Community**  
**Projected Statements of Operations and Changes in Net Assets**  
**For the years ending September 30, 2019 through 2023**  
**(dollars in thousands)**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenue:					
Net resident services, apartments	\$ 8,348	\$ 9,025	\$ 10,034	\$ 10,365	\$ 10,708
Net resident services, health care center	3,060	3,142	3,226	3,313	3,402
Net resident services, assisted living	2,513	2,588	2,666	2,746	2,828
Net resident services, memory care	1,071	1,103	1,136	1,171	1,206
Amortization of advanced fees	2,313	2,822	3,376	3,334	3,321
Net assets released from restriction	121	120	120	120	120
Other	2	2	2	2	2
Interest and dividend income	27	27	27	27	27
	<u>17,455</u>	<u>18,829</u>	<u>20,587</u>	<u>21,078</u>	<u>21,614</u>
Total revenue					
Expenses:					
Health care center	2,283	2,356	2,431	2,509	2,589
Assisted living	1,022	1,052	1,084	1,117	1,150
Memory care	497	512	527	543	559
Resident services	609	632	657	677	698
Dietary and food service	2,626	2,806	2,963	3,054	3,147
Housekeeping	786	869	906	934	963
Plant	2,193	2,338	2,494	2,573	2,654
General and administration	1,548	1,824	1,976	2,033	2,099
Depreciation	2,850	3,027	3,590	3,896	4,170
Interest	1,106	638	728	691	663
Corporate allocation - depreciation	58	30	24	13	8
Corporate allocation - all other	1,124	1,211	1,250	1,272	1,315
	<u>16,702</u>	<u>17,295</u>	<u>18,630</u>	<u>19,312</u>	<u>20,015</u>
Total expenses					
Excess of revenue over expenses and change in net assets	753	1,534	1,957	1,766	1,599
Net assets beginning of year	<u>28,289</u>	<u>29,042</u>	<u>30,576</u>	<u>32,533</u>	<u>34,299</u>
Net assets end of year	<u>\$ 29,042</u>	<u>\$ 30,576</u>	<u>\$ 32,533</u>	<u>\$ 34,299</u>	<u>\$ 35,898</u>

**Cypress Glen Retirement Community**  
**Projected Statements of Cash Flows**  
**For the years ending September 30, 2019 through 2023**  
**(dollars in thousands)**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Operating activities:					
Change in net assets	\$ 753	\$ 1,534	\$ 1,957	\$ 1,766	\$ 1,599
Adjustments to reconcile change in net assets to net cash from operating activities:					
Depreciation	2,850	3,027	3,590	3,896	4,170
Amortization of deferred financing costs	21	21	21	23	23
Amortization of bond premium	(6)	(7)	(8)	(15)	(17)
Amortization of advanced fees	(2,313)	(2,822)	(3,376)	(3,334)	(3,321)
Non-refundable entrance fees received	2,740	10,324	3,494	3,571	3,658
Bad debt expense	2	4	8	8	9
Net change in:					
Accounts receivable - residents and patients	(6)	(31)	(50)	(19)	(19)
Accounts receivable - other	(90)	(310)	242	(4)	(6)
Due to/from related parties	7,713	4,673	4,654	4,362	3,830
Inventories	-	(1)	(1)	(1)	(1)
Prepaid expenses and other current assets	(5)	(5)	(5)	(6)	(6)
Accounts payable	352	42	42	43	46
Accrued salaries and related expenses	254	618	371	359	379
Accrued interest payable	(121)	2	7	(3)	(3)
Net cash provided by operating activities	<u>12,144</u>	<u>17,069</u>	<u>10,946</u>	<u>10,646</u>	<u>10,341</u>
Investing activities:					
Purchase of property and equipment	(10,347)	(11,413)	(9,068)	(8,845)	(9,247)
Assets limited as to use	(284)	(4,397)	(29)	(30)	(30)
Net cash used in investing activities	<u>(10,631)</u>	<u>(15,810)</u>	<u>(9,097)</u>	<u>(8,875)</u>	<u>(9,277)</u>
Financing activities:					
Refunds of deposits and refundable fees	(1,046)	(1,301)	(1,398)	(1,298)	(1,206)
Refundable entrance fees received	415	994	538	541	549
Payments on bonds and note payable	(882)	(952)	(989)	(1,014)	(407)
Net cash used in financing activities	<u>(1,513)</u>	<u>(1,259)</u>	<u>(1,849)</u>	<u>(1,771)</u>	<u>(1,064)</u>
Change in cash	-	-	-	-	-
Cash, beginning of year	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Cash, end of year	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 2</u>



**Croasdale Village Retirement Community**  
**Projected Balance Sheets**  
**September 30, 2019 through 2023**  
**(dollars in thousands)**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>ASSETS</b>					
Current assets:					
Cash	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
Contributions receivable from UMRH Foundation, current portion	1,152	1,152	1,152	167	167
Assets limited as to use - debt service, current portion	804	796	788	779	771
Assets limited as to use - future construction, current portion	18,415	18,415	18,415	18,415	18,415
Assets limited as to use - all other, current portion	16	16	16	16	16
Accounts receivable, net	1,721	2,106	2,208	2,290	2,370
Other receivables	1,477	2,055	2,100	2,152	2,204
Due from related parties	64,808	67,788	71,387	85,457	99,734
Inventories	68	70	72	74	76
Prepaid expenses and other current assets	518	577	603	619	635
Total current assets	<u>88,980</u>	<u>92,976</u>	<u>96,742</u>	<u>109,970</u>	<u>124,389</u>
Assets limited as to use:					
Assets limited as to use - statutory operating reserve	11,357	11,536	9,883	10,304	10,092
Assets limited as to use - debt service, net of current portion	21,867	6,193	6,202	6,209	6,139
Assets limited as to use - all other, net of current portion current portion	234	234	234	-	-
	<u>33,458</u>	<u>17,963</u>	<u>16,319</u>	<u>16,513</u>	<u>16,231</u>
Property and equipment, net	144,645	156,256	152,418	149,010	145,975
Other assets:					
Interest rate swap agreement	182	182	182	182	182
Contributions receivable from UMRH Foundation, net of current portion	2,587	2,587	2,587	2,587	2,587
	<u>2,769</u>	<u>2,769</u>	<u>2,769</u>	<u>2,769</u>	<u>2,769</u>
Total assets	<u>\$ 269,852</u>	<u>\$ 269,964</u>	<u>\$ 268,248</u>	<u>\$ 278,262</u>	<u>\$ 289,364</u>
<b>LIABILITIES AND NET ASSETS</b>					
Current liabilities:					
Bonds payable, current portion	\$ 10,565	\$ 10,757	\$ 3,330	\$ 3,195	\$ 4,086
Accounts payable	2,000	1,331	727	749	772
Accrued salaries and related expenses	1,383	2,643	3,439	4,155	4,907
Accrued interest payable	1,146	1,108	1,054	1,043	1,032
Insurance regulation - statutory operating reserve	11,357	11,536	9,883	10,304	10,092
Total current liabilities	<u>26,451</u>	<u>27,375</u>	<u>18,433</u>	<u>19,446</u>	<u>20,889</u>
Long-term liabilities:					
Bonds payable, less current portion	133,022	122,056	118,511	115,031	110,645
Liability for refundable advanced fees	7,958	8,309	8,672	9,044	9,426
Deferred revenue for non-refundable advanced fees	49,755	50,027	50,523	51,157	51,993
Fund held for others	11	11	11	11	11
Total liabilities	<u>217,197</u>	<u>207,778</u>	<u>196,150</u>	<u>194,689</u>	<u>192,964</u>
Net assets:					
Unrestricted	48,911	58,442	68,354	80,814	93,641
Temporarily restricted	2,151	2,151	2,151	1,166	1,166
Permanently restricted	1,593	1,593	1,593	1,593	1,593
Total net assets	<u>52,655</u>	<u>62,186</u>	<u>72,098</u>	<u>83,573</u>	<u>96,400</u>
Total liabilities and net assets	<u>\$ 269,852</u>	<u>\$ 269,964</u>	<u>\$ 268,248</u>	<u>\$ 278,262</u>	<u>\$ 289,364</u>

**Croasdaile Village Retirement Community**  
**Projected Statements of Operations and Changes in Net Assets**  
**For the years ending September 30, 2019 through 2023**  
**(dollars in thousands)**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenue:					
Net resident services, apartments	\$ 19,993	\$ 25,085	\$ 26,017	\$ 27,001	\$ 28,022
Net resident services, health care center	11,775	12,094	12,425	12,767	13,122
Net resident services, assisted living	2,731	5,521	6,362	6,693	6,928
Net resident services, home care	2,650	2,756	2,866	2,980	3,100
Amortization of advanced fees	9,167	8,439	8,668	8,977	9,304
Net assets released from restriction	96	88	84	81	79
Other	19	19	19	19	19
Interest and dividend income	80	80	80	80	80
Total revenue	<u>46,511</u>	<u>54,082</u>	<u>56,521</u>	<u>58,598</u>	<u>60,654</u>
Expenses:					
Health care center	8,378	8,629	8,888	9,155	9,430
Assisted living	773	1,526	1,742	1,821	1,875
Home care	2,392	2,464	2,538	2,614	2,693
Resident services	1,816	1,884	1,940	1,999	2,058
Dietary and food service	5,280	5,752	5,898	6,075	6,257
Housekeeping	2,077	2,410	2,483	2,557	2,634
Laundry	179	184	190	195	201
Plant	3,525	4,218	4,344	4,474	4,609
General and administration	3,141	3,479	3,584	3,691	3,801
Depreciation	6,400	5,467	7,017	6,743	6,534
Interest	2,516	5,533	4,878	4,670	4,515
Corporate allocation - depreciation	138	74	59	31	20
Corporate allocation - all other	2,681	2,931	3,048	3,098	3,200
Total expenses	<u>39,296</u>	<u>44,551</u>	<u>46,609</u>	<u>47,123</u>	<u>47,827</u>
Excess of revenue over expenses and change in net assets	7,215	9,531	9,912	11,475	12,827
Net assets released from restrictions for purchase of PP&E	-	-	-	985	-
Change in unrestricted net assets	<u>7,215</u>	<u>9,531</u>	<u>9,912</u>	<u>12,460</u>	<u>12,827</u>
Change in temporarily restricted net assets					
Net assets released from restriction	-	-	-	(985)	-
Change in net assets	7,215	9,531	9,912	11,475	12,827
Net assets beginning of year	<u>45,440</u>	<u>52,655</u>	<u>62,186</u>	<u>72,098</u>	<u>83,573</u>
Net assets end of year	<u>\$ 52,655</u>	<u>\$ 62,186</u>	<u>\$ 72,098</u>	<u>\$ 83,573</u>	<u>\$ 96,400</u>

**Croasdale Village Retirement Community**  
**Projected Statements of Cash Flows**  
**For the years ending September 30, 2019 through 2023**  
**(dollars in thousands)**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Operating activities:					
Change in net assets	\$ 7,215	\$ 9,531	\$ 9,912	\$ 11,475	\$ 12,827
Adjustments to reconcile change in net assets to net cash from operating activities:					
Depreciation	6,400	5,467	7,017	6,743	6,534
Amortization of deferred financing costs	56	59	62	78	83
Amortization of bond premium	(262)	(267)	(277)	(363)	(382)
Amortization of advanced fees	(9,167)	(8,439)	(8,668)	(8,977)	(9,304)
Non-refundable entrance fees received	20,092	10,272	10,581	10,953	11,326
Bad debt expense	115	255	267	277	287
Net change in:					
Accounts receivable - residents and patients	(251)	(639)	(370)	(359)	(367)
Accounts receivable - other	869	(578)	(45)	(52)	(52)
Contributions receivable/(payable)	-	-	-	985	-
Due to/from related parties	(11,753)	(2,980)	(3,599)	(14,070)	(14,278)
Inventories	2	(2)	(2)	(2)	(2)
Prepaid expenses and other current assets	(78)	(59)	(26)	(16)	(16)
Accounts payable	(1,723)	(670)	(604)	22	24
Accrued salaries and related expenses	493	1,259	796	716	752
Accrued interest payable	(1,176)	(38)	(53)	(11)	(12)
Net cash provided by operating activities	<u>10,832</u>	<u>13,171</u>	<u>14,991</u>	<u>7,399</u>	<u>7,420</u>
Investing activities:					
Purchase of property and equipment	(34,369)	(17,078)	(3,178)	(3,335)	(3,499)
Assets limited as to use	25,376	15,682	(1)	236	78
Net cash used in investing activities	<u>(8,993)</u>	<u>(1,396)</u>	<u>(3,179)</u>	<u>(3,099)</u>	<u>(3,421)</u>
Financing activities:					
Refunds of deposits and refundable fees	(1,666)	(1,957)	(1,821)	(1,754)	(1,605)
Refundable entrance fees received	2,020	747	766	784	801
Payments on bonds and note payable	(2,193)	(10,565)	(10,757)	(3,330)	(3,195)
Payments on bonds and note payable (from escrowed funds)	-	-	-	-	-
Deferred costs, net	-	-	-	-	-
Deferred financing costs	-	-	-	-	-
Net cash used in financing activities	<u>(1,839)</u>	<u>(11,775)</u>	<u>(11,812)</u>	<u>(4,300)</u>	<u>(3,999)</u>
Change in cash	-	-	-	-	-
Cash, beginning of year	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Cash, end of year	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>

## **ATTACHMENT 3**

**Interim Unaudited Financial Statements  
for  
The United Methodist  
Retirement Homes, Incorporated  
Includes**

- **Consolidated Operations of Croasdaile Village, Cypress Glen and Wesley Pines**
- **Individual Operations of Cypress Glen**

The United Methodist Retirement Homes, Inc. and Affiliate  
Consolidating Balance Sheet Information  
December 31, 2018

	Corporate	Wesley Pines	Cypress Glen	Croasdaile Village	Eliminating entries	UMRH
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash	820,803	400	2,175	650	-	824,028
Contributions receivable, current portion	-	36,036	151,310	1,196,078	-	1,383,424
Investments	71,830,318	-	-	-	(13,069,468)	58,760,850
Assets limited as to use - debt service, current portion	-	-	100,509	434,531	-	535,040
Assets limited as to use - all other, current portion	644	5,720	249,404	281,411	-	537,180
Accounts receivable, net of allowance for uncollectible accounts	-	620,877	258,524	1,730,808	-	2,610,210
Other receivables	32,922	47,456	163,116	702,341	-	945,834
Due from related parties	2,247,565	-	26,835,541	53,249,403	(82,184,128)	148,380
Inventories	-	16,938	36,703	57,608	-	111,249
Prepaid expenses and other current assets	210,460	146,097	163,323	338,062	-	857,942
Total current assets	75,142,712	873,525	27,960,605	57,990,891	(95,253,596)	66,714,137
<b>Non-current assets:</b>						
Assets limited as to use - statutory operating reserve	-	2,242,977	3,266,279	7,560,212	-	13,069,468
Assets limited as to use - debt service, net of current portion	-	-	1,461,514	7,754,454	-	9,215,968
Assets limited as to use - all other, net of current portion	674,525	-	933,159	55,057,807	-	56,665,490
Investments - restricted	-	-	-	-	-	-
Assets held for resale	181,866	32,112	-	-	-	213,979
Property and equipment, net	534,580	12,635,117	34,065,332	120,919,537	-	168,154,566
Trusts receivable	-	-	-	-	-	-
Contributions receivable, net of current portion	-	479,880	1,245,892	2,380,780	-	4,106,552
Total non-current assets	1,390,971	15,390,086	40,972,176	193,672,790	-	251,426,023
Total assets	76,533,682	16,263,611	68,932,781	251,663,681	(95,253,596)	318,140,160
<b>LIABILITIES AND NET ASSETS</b>						
<b>Current liabilities:</b>						
Annuity payable, current portion	-	-	-	-	-	-
Bonds payable, current portion	-	73,000	942,000	2,745,000	-	3,760,000
Accounts payable	351,175	139,350	349,430	760,442	-	1,600,397
Accrued salaries and related expenses	(133,203)	256,101	486,149	679,052	-	1,288,098
Accrued interest payable	-	92,037	173,425	1,145,404	-	1,410,865
Insurance regulation - statutory operating reserve	-	2,242,977	3,266,279	7,560,212	(13,069,468)	-
Due to related parties	80,084,944	2,099,185	-	-	(82,184,128)	-
Contributions payable, current portion	-	-	-	-	-	-
Total current liabilities	80,302,915	4,902,650	5,217,282	12,890,109	(95,253,596)	8,059,360
<b>Long-term liabilities:</b>						
Annuity payable, less current portion	-	-	-	-	-	-
Bonds payable, less current portion	-	8,609,853	16,620,415	142,094,142	-	167,324,410
Liability of other foundations	-	-	-	-	-	-
Liability for refundable advance fees	-	48,223	4,340,769	5,935,480	-	10,324,471
Deferred revenue from non-refundable advance fees	-	1,674,366	14,267,503	44,135,953	-	60,077,822
Contributions payable, less current portion	-	-	-	-	-	-
Due to related parties	67,748	-	-	-	-	67,748
Funds held for others	-	4,580	128,592	8,882	-	142,055
Interest rate swap agreement	-	-	(61,260)	(182,152)	-	(243,412)
Total long-term liabilities	67,748	10,337,022	35,296,019	191,992,305	-	237,693,093
Total liabilities	80,370,663	15,239,671	40,513,301	204,882,415	(95,253,596)	245,752,453
<b>Net assets:</b>						
Unrestricted	(4,511,596)	506,884	25,968,309	43,199,136	-	65,162,732
Temporarily restricted	91	296,416	1,714,519	1,975,771	-	3,986,797
Permanently restricted	674,525	220,640	736,653	1,606,359	-	3,238,177
Total net assets	(3,836,981)	1,023,940	28,419,480	46,781,267	-	72,387,706
Total liabilities and net assets	76,533,682	16,263,611	68,932,781	251,663,681	(95,253,596)	318,140,160

**The United Methodist Retirement Homes, Inc. and Affiliate**  
**Consolidating Statement of Operations and Changes in Net Assets Information**  
**December 31, 2018**

	Corporate	Wesley Pines	Cypress Glen	Croasdaile Village	UMRH
Unrestricted revenues, gains and other support:					
Net resident and patient service revenue					
Net resident and patient service revenue	-	2,004,797	3,948,593	9,195,184	15,148,575
Amortization of advance fees	-	72,429	532,653	1,336,952	1,942,033
Net assets released from restriction	615	4,851	23,747	13,783	42,996
Other	113	144	389	3,656	4,302
Interest and dividend income	1,904,716	-	6,640	30,860	1,942,216
Total unrestricted revenues, gains and other su	1,905,444	2,082,221	4,512,023	10,580,436	19,080,123
Expenses:					
Nursing services	-	1,032,562	957,184.56	1,985,416	3,975,163
Dietary and food services	-	326,131	675,049	1,260,425	2,261,604
Adminstration	1,160,292	226,218	390,071	731,572	2,508,154
Plant operations, maintenance and security	-	138,764	524,375	797,103	1,460,241
Laundry and housekeeping	-	110,232	208,916	493,780	812,927
Resident services - activities	-	32,115	144,654	467,774	644,543
Home care	-	-	-	853,212	853,212
Interest	-	92,249	248,942	1,000,502	1,341,693
Depreciation and amortization	61,109	151,460	679,609	1,523,883	2,416,061
Bad debt expense	-	5,871	-	2,445	8,316
Total expenses	1,221,401	2,115,602	3,828,800	9,116,113	16,281,916
Operating income (loss)	684,043	(33,381)	683,223	1,464,323	2,798,207
Non-operating gains (losses):					
Interest and dividend income	-	-	-	11,095	11,095
Net investment gain, realized	651,957	-	-	-	651,957
Net investment gain, unrealized	(6,724,861)	-	9,542	19,284	(6,696,035)
Loss on disposal of property and equipment	-	-	1,025	25	1,050
Contributions	350	100	200	544	1,194
Loss on extinguishment of debt	-	-	-	-	-
Change in fair value of interest rate swap agreeme	-	-	-	-	-
Other	-	729	966	-	1,695
Net non-operating gains (losses)	(6,072,553)	829	11,733	30,947	(6,029,044)
Excess of revenues, gains and other support over expenses	(5,388,511)	(32,552)	694,956	1,495,270	(3,230,837)
Net assets released from restrictions for purchase of property and equipment	-	-	-	7,853	7,853
Change in unrestricted net assets	(5,388,511)	(32,552)	694,956	1,503,123	(3,222,983)
Change in temporarily restricted net assets:					
Contributions	700	5,581	13,891	99,133	119,305
Interest and dividend income	-	14,645	92,971	61,964	169,580
Investment gain (loss)	-	(63,410)	(402,546)	(268,077)	(734,034)
Change in split interest agreement	-	-	(84,331)	-	(84,331)
Change in value of pledges	-	-	-	(51,500)	(51,500)
Recovery of bad debt, net (bad debt expense)	-	-	-	5,150	5,150
Net assets released from restriction	(615)	(4,851)	(23,747)	(21,636)	(50,850)
Change in temporarily restricted net assets	85	(48,035)	(403,763)	(174,967)	(626,679)
Change in permanently restricted net assets:					
Contributions	-	100	400	13,142	13,642
Interest and dividend income	-	-	-	-	-
Investment gain (loss)	-	-	-	-	-
Change in split interest agreement	-	-	(161,076)	-	(161,076)
Change in value of pledges	-	-	-	-	-
Recovery of bad debt, net (bad debt expense)	-	-	-	-	-
Net assets released from restriction	-	-	-	-	-
Change in permanently restricted net assets	-	100	(160,676)	13,142	(147,434)
Change in net assets	(5,388,426)	(80,487)	130,517	1,341,298	(3,997,097)
Net assets, beginning of year	1,551,445	1,104,427	28,288,963	45,439,969	76,384,803
Net assets, end of year	(3,836,981)	1,023,940	28,419,480	46,781,267	72,387,706

The United Methodist Retirement Homes, Inc., and Affiliate  
Consolidated Statements of Cash Flows  
December 31, 2018

	Corporate	Wesley Pines	Cypress Glen	Croasdalle Village	UMRH	UMRH Foundation	Obligated Group
Cash flow from operating activities:							
Change in net assets	(5,388,426)	(80,487)	130,517	1,341,298	(3,997,097)	(75,269)	(4,072,365)
Adjustments to reconcile change in net assets to net cash provided by operating activities:							
Depreciation and amortization	61,109	151,460	679,609	1,523,883	2,416,061	-	2,416,061
Amortization of deferred financing costs	-	381	5,272	14,020	19,673	-	19,673
Amortization of bond premium	-	(688)	(518)	(55,572)	(56,779)	-	(56,779)
Amortization of deferred revenue from advance fees	-	(72,429)	(532,653)	(1,336,952)	(1,942,033)	-	(1,942,033)
Non-refundable entrance fees received	-	3,000	666,907	6,908,580	7,578,486	-	7,578,486
Bad debt expense	-	5,871	-	2,445	8,316	-	8,316
Loss on disposal of property and equipment	-	-	(1,025)	(25)	(1,050)	-	(1,050)
Loss on early extinguishment of debt	-	-	-	-	-	-	-
Change in fair value of swap agreement	-	-	-	-	-	-	-
Net change in:							
Accounts receivable - residents and patients	-	44,083	8,149	(148,983)	(96,751)	-	(96,751)
Accounts receivable - other	(4,472)	(9,683)	(288,129)	(314,476)	(616,759)	700	(616,059)
Investments/insurance regulation	5,656,356	-	-	-	5,656,356	716,850	6,373,206
Assets limited as to use	(638)	(1,461)	386,436	3,184,873	3,569,210	(96,668)	3,472,542
Trusts receivable	-	-	-	-	-	-	-
Contributions receivable	1,255	48,115	370,855	161,825	582,050	(535,700)	46,350
Due to/from related parties	(242,626)	194,400	242,650	(194,425)	-	-	-
Inventories	50	4,913	(7,522)	11,714	9,155	-	9,155
Prepaid expenses and other current assets	(52,702)	59,304	43,224	101,751	151,576	470	152,046
Accounts payable	(498,541)	(74,450)	(425,121)	(2,962,897)	(3,961,009)	(7,923)	(3,968,932)
Accrued salaries and related expenses	(491,365)	(75,824)	(162,061)	(211,037)	(940,287)	-	(940,287)
Liability to other foundations	-	-	-	-	-	-	-
Accrued interest payable	-	(97,709)	(163,309)	(1,176,305)	(1,437,324)	-	(1,437,324)
Funds held for others	-	1,281	(91,107)	(2,086)	(91,912)	-	(91,912)
Net cash provided by operating activities	(959,999)	100,076	862,174	6,847,632	6,849,883	2,461	6,852,344
Cash flow from investing activities:							
Purchase of property and equipment	(14,141)	(26,076)	(624,431)	(5,767,165)	(6,431,813)	-	(6,431,813)
Change in assets held for resale	(176)	-	-	-	(176)	-	(176)
Net cash used in investing activities	(14,317)	(26,076)	(624,431)	(5,767,165)	(6,431,989)	-	(6,431,989)
Cash flow from financing activities:							
Refunds of deposits and refundable fees	-	(1,000)	(44,324)	(86,584)	(131,908)	-	(131,908)
Refundable entrance fees received	-	-	88,581	111,117	199,698	-	199,698
Payments on bonds and note payable	-	(73,000)	(282,000)	(1,105,000)	(1,460,000)	-	(1,460,000)
Deferred financing costs, net	-	-	-	-	-	-	-
Proceeds from issuance of bonds	-	-	-	-	-	-	-
Net change in annuity obligations	-	-	-	-	-	(2,031)	(2,031)
Net cash provided (used) by financing activities	-	(74,000)	(237,743)	(1,080,467)	(1,392,210)	(2,031)	(1,394,241)
Change in cash	(974,316)	-	-	-	(974,316)	430	(973,886)
Cash, beginning of year	1,795,119	400	2,175	650	1,798,344	89,271	1,887,615
Cash, end of year	820,803	400	2,175	650	824,028	89,700	913,728

## **ATTACHMENT 4**

**Explanations of Material Differences**

**Balance Sheet**

**Statement of Operations**

**Statement of Cash Flows**



The United Methodist Retirement Homes, Inc.  
Explanation of Material Differences  
Between Previous Pro Forma Balance Sheet Projection for 2018  
and 2018 Actual Results from Operations

The following explanation is provided pursuant to the requirements of North Carolina G.S. 58-64-30. Set forth below is a comparison on the 2018 actual results with the projected results for 2018.

Sources and (Uses)  
(Figures stated below are in thousands)

	2018 Actual	2018 Projected	Fav/(Unfav) Difference	Variance Percentage
<u>Assets</u>				
Current Assets:				
Cash (1)	1,798	3,197	(1,399)	-43.76%
Short term investments	64,417	63,533	884	1.39%
Accounts receivable, net (2)	5,102	3,626	1,476	40.71%
Assets limited as to use, current portion (3)	1,930	5,235	(3,305)	-63.13%
Inventories and prepaid expenses (4)	1,130	933	197	21.11%
Contributions receivable from UMRH Foundation, current portion (5)	1,339	861	478	55.52%
Due from related party, current (6)	150	199	(49)	-24.62%
Total current assets	75,866	77,584	(1,718)	
Assets limited as to use:				
Insurance regulation	13,069	12,771	298	2.33%
Other assets limited as to use (7)	68,593	49,161	19,432	39.53%
Assets limited as to use, non-current	81,662	61,932	19,730	
Property and equipment, net	164,138	167,534	(3,396)	-2.03%
Assets held for resale	214	213	1	0.47%
Contributions receivable from UMRH Foundation, net of current portion (8)	4,732	4,162	570	13.70%
Deferred marketing costs, net (9)	-	800	(800)	-100.00%
Interest rate swap agreement (10)	243	(225)	468	-208.00%
Total non-current assets	5,189	4,950	239	
Total assets	326,855	312,000	(1,479)	
<u>Liabilities and Net Assets</u>				
Current Liabilities:				
Current maturities of long-term debt (11)	3,075	4,185	(1,110)	-26.52%
Accounts payable and accrued expenses (12)	10,638	6,042	4,596	76.07%
Total current liabilities	13,713	10,227	4,596	
Long-term liabilities				
Liability for refundable advance fees and deposits	10,650	11,208	(558)	-4.98%
Deferred revenue from non--refundable advance fees	56,299	54,732	1,567	2.86%
Due to related parties	68	68	-	0.00%
Long-term debt, less current portion	169,507	160,016	9,491	5.93%
Funds held for others (13)	234	106	128	120.75%
Total long-term liabilities	236,758	226,130	10,628	
Total liabilities	250,471	236,357	14,114	
Net assets:				
Unrestricted	68,385	68,719	(334)	-0.49%
Temporarily restricted (14)	4,613	3,664	949	25.90%
Permanently restricted	3,386	3,260	126	3.87%
Total liabilities and net assets	326,855	312,000	10,754	

The United Methodist Retirement Homes, Inc.  
Explanation of Material Differences Footnotes  
Balance Sheet

Variations of 10% or greater between actual and projected results are considered material variances which are explained below:

1. Cash As the other variances listed below change, cash changes.
2. Accounts receivable, net Resident move-ins with promissory notes on entrance fees due exceeding expectation.
3. Assets limited as to use, current portion The escrow account for entrance fees on the expansion were included in current assets limited so as to use on the forecast and in long-term assets limited so as to use on the audit.
4. Inventories and prepaid expenses Prepaid expenses were more than the forecast mostly due to reduced insurance premiums for Workers' Compensation and for general insurances.
5. Contributions receivable from UMRH Foundation, current portion Since the change in this number is dependent upon donations to the UMRH Foundation for the benefit of UMRH, the forecast conservatively assumes no change year over year. The variance is due to greater than anticipated donations.
6. Due from related party, current The forecast assumes no change in this line, year over year. The variance is due to the use of unrestricted UMRH Foundation funds being used by UMRH.
7. Other assets limited as to use The forecast assumed a "draw down" of construction funds. The December 2017 transaction was fully funded upfront, hence the construction accounts balances were greater.
8. Contributions receivable from UMRH Foundation, net of current portion Since the change in this number is dependent upon donations to the UMRH Foundation for the benefit of UMRH, the forecast conservatively assumes no change year over year. The variance is largely due to actual donations coming in specifically for the expansion project.
9. Deferred costs, net All deferred costs were retired with the December 2017 bond transactions, hence no actual value at the end of 2018.

10. Interest rate swap agreement The forecast assumes no change year over year. The variance represents the actual change.
11. Current maturities of long-term debt The variance is due to the structure of the final amortization schedule after the December 2017 bond transaction being different than anticipated in the forecast.
12. Accounts payable and accrued expenses Accrued interest and accrued salaries and related benefits were underestimated on the forecast.
13. Funds held for others Resident deposits exceeded expectation. The forecast assumes no change for conservatism.
14. Temporarily restricted Since the change in this number is largely dependent upon donations to the UMRH Foundation for the benefit of UMRH, the forecast conservatively assumes no change year over year. The variance is largely due to actual donations coming in specifically for the expansion project.

The United Methodist Retirement Homes, Inc.  
Explanation of Material Differences  
Between Previous Pro Forma Statement of Operations and Change in Net Deficits for 2018  
and 2018 Actual Results from Operations

The following explanation is provided pursuant to the requirements of North Carolina G.S. 58-64-30. Set forth below is a comparison on the 2018 actual results with the projected results for 2018.

Sources and (Uses)  
(Figures stated below are in thousands)

	2018 Actual	2018 Projected	Fav/(Unfav) Difference	Variance Percentage
<b>Revenues</b>				
Apartments	26,215	26,665	(450)	-1.69%
Health care	19,631	18,920	711	3.76%
Assisted living	7,957	7,864	93	1.18%
Home care (1)	2,738	1,868	870	46.57%
Amortization of deferred residence fees	7,478	7,877	(399)	-5.07%
Investment income (2)	2,235	1,611	624	38.73%
Net assets released from restrictions (3)	346	241	105	43.57%
Other (4)	32	20	12	60.00%
<b>Total revenue</b>	<b>66,632</b>	<b>65,066</b>	<b>1,566</b>	
<b>Expenses</b>				
Health care	12,859	13,445	(586)	-4.36%
Assisted living	2,587	2,619	(32)	-1.22%
Resident services	2,421	2,375	46	1.94%
Home care (5)	3,108	1,846	1,262	68.36%
Dietary	8,764	8,837	(73)	-0.83%
Housekeeping	3,047	3,212	(165)	-5.14%
Plant	5,794	5,796	(2)	-0.03%
General and administration	9,664	9,444	220	2.33%
Depreciation and amortization (6)	9,582	8,382	1,200	14.32%
Interest (7)	3,447	4,036	(589)	-14.59%
<b>Total expenses</b>	<b>61,273</b>	<b>59,992</b>	<b>1,281</b>	
Operating income (loss)	5,359	5,074	285	
Non-operating gains (losses) (8)	(618)	-	(618)	0.00%
Change in unrestricted net assets	4,741	5,074	(333)	
Change in temporarily restricted net assets (9)	949	-	(951)	0.00%
Change in permanently restricted net assets (10)	126	-	(1,284)	0.00%
Change in net assets	5,816	5,074	742	
Net assets, beginning of the year	70,569	70,569	-	
Net assets, end of the year	76,385	75,643	742	

The United Methodist Retirement Homes, Inc.  
Explanation of Material Differences Footnotes  
Operating Statement

Variations of 10% or greater between actual and projected results are considered material variations which are explained below:

1. Home care revenue Actual resident utilization of this service was greater than anticipated in the forecast.
2. Investment income Actual investment returns exceeded what was expected in the forecast.
3. Net assets released from restriction The forecast assumes no change in temporarily restricted net assets for conservatism. The audit reflects the actual use of these funds.
4. Other revenue This is revenue considered to be operating but inconsistent and irregular in occurrence. The actual income exceeded the forecasted expectation.
5. Home care expense Actual resident utilization of this service was greater than anticipated in the forecast.
6. Depreciation and amortization expense Capital expenditures for existing needs exceeded expectations on the forecast.
7. Interest expense The forecasted excluded the bond transaction that took place in December 2017, which reduced interest costs.
8. Non-operating gains (losses) Due to the uncertainty and volatility of investment gains or losses, contributions, changes in the fair value of interest rate swap agreements and gains or losses on the disposal of PP&E, the forecast conservatively assumes zero. The loss on the extinguishment of debt due to the December 2017 bond transaction resulted in a loss of 1,356,603, making up the majority of the variance.
9. Change in temporarily restricted net assets For conservatism, the forecast assumes no change in temporarily restricted net assets unless there is certainty in the use of or receipt of funds.

**10. Change in permanently restricted net assets** For conservatism, the forecast assumes no change in permanently restricted net assets.

The United Methodist Retirement Homes, Inc.  
Explanation of Material Differences  
Between Previous Pro Forma Statement of Cash Flows Projection for 2018  
and 2018 Actual Results from Operations

The following explanation is provided pursuant to the requirements of North Carolina G.S. 58-64-30. Set forth below is a comparison on the 2018 actual results with the projected results for 2018.

Sources and (Uses)

(Figures stated below are in thousands)

	2018 Actual	2018 Projected	Fav/(Unfav) Difference	Variance Percentage
<b>Cash flows from operating activities</b>				
Change in net assets (1)	5,816	5,074	742	15%
Adjustments to reconcile increase in net assets to net cash from operating activities				
Depreciation (2)	9,582	8,382	1,200	14%
Amortization of deferred financing costs (3)	78	104	(26)	-25%
Amortization of bond premium (4)	(271)	(203)	(68)	33%
Amortization of deferred resident fees	(7,478)	(7,877)	399	-5%
Proceeds from non-refundable advance fees	11,511	11,288	223	2%
Bad debt expense (5)	273	88	185	210%
Loss on disposal of property & equipment (6)	338	-	338	100%
Loss on early extinguishment of debt (7)	1,357	-	1,357	100%
Change in fair value of swap agreement (8)	(469)	-	(469)	100%
Net change in:				
Current assets (9)	(3,172)	125	(3,297)	-2638%
Current liabilities (10)	4,951	(1,582)	6,533	-413%
Short term investments (11)	(2,034)	(1,510)	(524)	35%
Assets limited as to use (12)	(61,184)	(44,529)	(16,655)	37%
Net cash from operating activities	(40,702)	(30,640)	(10,062)	33%
<b>Cash flows from investing activities</b>				
Additions to property and equipment and construction in progress	(37,544)	(37,998)	454	-1%
Change in assets held for resale	(4)	(4)	-	0%
Net cash from investing activities	(37,548)	(38,002)	454	-1%
<b>Cash flows from financing activities</b>				
Proceeds from refundable advance fees (13)	1,545	926	619	67%
Refunds of entrance fees	(2,360)	(2,568)	208	-8%
Bond issuance costs, net (14)	(1,667)	(933)	(734)	79%
Principal payments on debt (15)	(33,134)	(4,000)	(29,134)	728%
Proceeds from issuance of bonds (16)	112,431	75,181	37,250	50%
Net cash from financing activities	76,815	68,606	8,209	12%
Net change in cash	(1,435)	(36)	(1,399)	3886%
Cash at beginning of year	3,233	3,233	-	0%
Cash at end of year	1,798	3,197	(1,399)	-44%

The United Methodist Retirement Homes, Inc.  
Explanation of Material Differences Footnotes  
Cash Flow

Variances of 10% or greater between actual and projected results are considered material variances which are explained below:

1. Change in net assets See various explanations in footnotes to operating statement.
2. Depreciation Capital expenditures for existing needs exceeded expectations on the forecast.
3. Amortization of deferred financing costs Deferred costs were retired in the December 2017 bond transaction that were not accounted for in the forecast.
4. Amortization of bond premium The actual premium was greater than the forecast amount.
5. Bad debt expense Greater than anticipated need for uncollectible private pay accounts.
6. Loss on disposal of property & equipment This is not separately categorized in the cash flow on the forecast as it is on the audit.
7. Loss on early extinguishment of debt This is difficult to forecast. Given this difficulty, the change is assumed to be zero in the 2018 forecast and will be going forward.
8. Change in fair value of swap agreement This is difficult to forecast. Given this difficulty, the change is assumed to be zero in the 2018 forecast and will be going forward.
9. Current assets See the variances listed on the balance sheet material differences spreadsheet in the current assets section.
10. Current liabilities See the variances listed on the balance sheet material differences spreadsheet in the current liabilities section.
11. Short term investments Investment earnings exceeded the forecasted expectation.



12. Assets limited as to use The forecast assumed a "draw down" of construction funds. The December 2017 transaction was fully funded upfront, hence the construction accounts balances were greater.
13. Proceeds from refundable advance fees Greater than forecasted entrance fees were received.
14. Bond issuance costs, net The forecast underestimated the issuance costs in connection with the December 2017 bond transaction.
15. Principal payments on debt The forecast excluded the retirement of debt, including on the issuance of new debt, for conservatism.
16. Proceeds from issuance of bonds The forecast excluded the retirement of debt, including on the issuance of new debt, for conservatism.

# **ATTACHMENT 5**

## **Agreements with Residents**

- **Standard Residency Agreement**
- **50% Return of Capital Residency Agreement**
- **80% Return of Capital Residency Agreement**
- **90% Return of Capital Residency Agreement**
- **Standard Residency Agreement  
(for Cottage to be constructed)**
- **50% Return of Capital Residency Agreement  
(for Cottage to be constructed)**
- **80% Return of Capital Residency Agreement  
(for Cottage to be constructed)**
- **90% Return of Capital Residency Agreement  
(for Cottage to be constructed)**



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## **Standard Residency Agreement**

02/03/2018



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Exhibit A – Options and Custom Features Added at Resident's Request

## GLOSSARY

The following terms are described as used in the accompanying Residency Agreement. Reference to the Residency Agreement and the context in which the terms are used is recommended to provide a fuller understanding of each of the terms:

**"Agreement"** means the Residency Agreement, entered into between the Resident and The United Methodist Retirement Homes, Incorporated, which outlines the contractual obligations of both parties.

**"Community"** means the continuing care retirement community known as "Cypress Glen Retirement Community," including all of the residences, common areas, and site amenities.

**"Entrance Fee"** means payment that assures a resident a place at the Community for life as long as the resident complies with terms of this Agreement. At the time the resident makes application for residency at the Community, the resident will sign a Residency Agreement to reserve the residence selected and will pay an Entrance Fee deposit to the Community. The balance of the Entrance Fee will be paid on the earlier of (i) occupancy or (ii) 90 days after the Residency Agreement is executed. Specific information is located in Paragraph 1.2 of this Agreement.

**"Extra Charges"** means the additional fees required to be paid for the additional services and amenities requested by Resident, as set forth in Paragraph 2.2 of this Agreement.

**"Health Center"** means the portion of the Community, which is licensed to provide three levels of care: assisted living care, memory care, and nursing care, as described in Section 4 of the Agreement.

**"Monthly Fee"** means that fee payable each month by the Resident as set forth in

Paragraphs 1.3 and 1.4 of the Agreement, in consideration for the services and amenities provided to the residents of the Community described in Paragraph 2.1 of this Agreement. If there are Joint Residents under this Agreement, the Monthly Fee will include a "Second Person Monthly Fee."

**"Residence"** means the apartment or cottage at the Community identified in the introductory paragraph of the Agreement, in which the Resident has the right to live pursuant to this Agreement in exchange for paying the Entrance Fee and the Monthly Fee.

**"Resident" or "you"** means the Resident(s) who sign this Agreement. Sometimes a second resident (if there are two of you) is referred to in this Agreement as the "Joint Resident." Further, both Residents may be referred to as "Joint Residents." Unless otherwise indicated, "you" refers to both of you if there are two of you.

**"Responsible Party"** refers to that person who may act on resident's behalf, including signing this Agreement.

**"The United Methodist Retirement Homes, Incorporated" or "we" or "our" or "us"** means the owner of the retirement community known as Cypress Glen Retirement Community, including all of the residences, common areas, and site amenities associated with these areas. The United Methodist Retirement Homes, Incorporated is a North Carolina non-profit corporation.



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## **Residency Agreement Standard**

### **INTRODUCTION**

This Standard Residency Agreement ("Agreement") is entered into by The United Methodist Retirement Homes, Incorporated ("UMRH," "we," "us," or "our") and \_\_\_\_\_ (individually or collectively, "you," "your," or "Resident"). Cypress Glen Retirement Community is a continuing care retirement community located at 100 Hickory Street; Greenville, NC 27858 ("Cypress Glen" or "Community").

We will provide residential housing for seniors along with a wide array of personal services and amenities outlined in this Agreement. Subject to the conditions contained in this Agreement, we agree to make available to you the Residence described as follows:

Residence Number \_\_\_\_\_  
Residence Style \_\_\_\_\_

You may select certain options and custom features in the Residence at an additional charge, which shall not be subject to any refund provision herein. Any such options and custom features selected and paid for by you will become our property. Such options and custom features must be approved by the Executive Director of the Community prior to adding them to the Residence. The Executive Director of the Community has consented to your request to add the options and custom features set forth on Exhibit A attached to this Agreement. You agree to pay the amount(s) set forth on Exhibit A to cover the charges for such items.

As a Resident of the Community, you are offered lifetime use of your Residence and lifetime access to the Community Health Center, subject to the terms and conditions of this Agreement.

To be accepted for residency, you must meet our residency criteria, which includes: having reached the age of 62 (or sharing your Residence with a Joint Resident who is 62 or older); financial guidelines; and the ability to live in a residence (with or without reasonable accommodation and/or reasonable modification) – all as outlined in our current residency policy.

The purpose of this Agreement is to set forth your rights and duties as a Resident of the Community and to delineate the services to be provided at the Community.



**1. CHARGES FOR RESIDENCE AND PRIMARY SERVICES.**

**1.1 Application Fee.** Prior to or upon your execution of this Agreement, you will pay to us a non-refundable Application Fee of \$\_\_\_\_\_. The Application Fee will be used by us to process your application for residency.

**1.2 Entrance Fee.** In order to reside at the Community for life, subject to this Agreement, and to receive the services and amenities described below, you agree to pay to us (in addition to the Monthly Fee described below) an Entrance Fee in the amount of \$\_\_\_\_\_ (includes first and second person, if applicable). The total amount of the Entrance Fee shall be payable as follows:

**1.2.1** Ten percent (10%) of the total Entrance Fee is \$\_\_\_\_\_, less any previously paid Future Resident Fee (\$\_\_\_\_\_), equals \$\_\_\_\_\_, which amount is due and payable upon your execution of this Agreement.

**1.2.2** The balance of \$\_\_\_\_\_ of the Entrance Fee shall be paid on the date you assume occupancy at the Community or within ninety (90) days from the date this Agreement is executed by you, whichever is earlier.

**1.3 Monthly Fee.** You are obligated to begin paying a Monthly Fee (or a pro rata portion thereof) on the date you assume occupancy at the Community or within ninety (90) days from the date this Agreement is executed by you, whichever is earlier. Thereafter, the Monthly Fee is due upon receipt of a statement from us and by no later than the fifteenth (15<sup>th</sup>) of each month. The Monthly Fee is initially set at a specific amount that can be increased as described in Paragraph 1.6 below. A

"Second Person Monthly Fee" shall become part of the Monthly Fee and shall be paid if two persons are Joint Residents under this Agreement. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component.

**1.4 Initial Monthly Fee.** The initial Monthly Fee payable by you is \$\_\_\_\_\_ per month and an additional \$\_\_\_\_\_ per month as a Second Person Monthly Fee component of the Monthly Fee if two persons reside as Joint Residents pursuant to this Agreement.

**1.5 Continuance of Monthly Fee.** Payment of the Monthly Fee will continue as follows:

**1.5.1** In the event of your death (in the case of Joint Residents, the death of the surviving Resident), until your estate removes all of your personal property from the Residence and from any storage unit.

**1.5.2** In the event of your permanent relocation to Health Center Level Services or Comparable Facility for Health Center Level Services (see definitions in Paragraphs 4.1 and 4.2), or to another care facility licensed to provide the appropriate care you need, until you or your personal representative removes all of your personal property from the Residence and from any storage unit.

**1.5.3** In the event of cancellation of this Agreement as outlined in Section 7 or 8, until expiration of the cancellation period and continues until you remove all of

your personal property from the Residence and from any storage unit.

**1.6 Increase in Monthly Fee.**

The Monthly Fee is paid to us to provide the services and amenities described in this Agreement and is intended to meet the expenses associated with the operation of the Community. We may increase the Monthly Fee (which includes the Second Person Monthly Fee where applicable) upon thirty (30) days' written notice if we, in our sole discretion, deem it necessary to meet the financial needs of the Community or to provide quality services to the Residents.

**1.7 Reduction in Monthly Fee Due to Absence.** Upon the request of the Resident, the Community will provide a reduction in the Monthly Fee when a Resident is absent from the Community, equal to the raw food costs determined through the Community's budgeting process, outlined as follows:

- Two (2) Meals a Day Plan: Must be absent from the Community for more than forty-five (45) consecutive days to qualify for the reduction. The reduction begins on day 46.
- Twenty-Five (25) Meals a Month Plan: Must be absent from the Community for more than ninety (90) consecutive days to qualify for the reduction. The reduction begins on day 91.

**1.8 Reserve Funds.** The amount of the Monthly Fee also is and will continue to be affected by our policy of maintaining reserve funds for the financial security of the Community.

**1.9 Late Payment Charge.** We will charge a late payment charge in the amount of twenty-five dollars (\$25.00) if the Monthly Fees or any Extra Charges are not paid by the fifteenth (15<sup>th</sup>) day of the month.

Balances over thirty (30) days old will be assessed a one percent (1%) interest charge per month. If we hire a collection agency or attorney to collect the Monthly Fee and Extra Charges past due from you, you are to pay any and all costs of collection, including reasonable attorney's fees, costs, and expenses associated with such collection efforts.

**2. DESCRIPTION OF PRIMARY AND SUPPLEMENTAL SERVICES.**

**2.1 Services Provided for the Monthly Fee.** We will provide you, in consideration for the Monthly Fee referred to above, the following services and amenities at the Community:

- Dining allowance equal to two (2) meals per day for residents of A and B wings; three (3) meals per day for residents of the C wing; and twenty-five (25) meals per month for residents of the D wing, East wing, West wing, and cottages;
- Limited meal delivery to be provided when approved by authorized staff;
- Consultation and preparation of routine special diets;
- Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;
- Standard television cable system;
- Building janitor and maintenance;
- Grounds keeping;
- Weekly housekeeping services;
- Laundry facilities for residents in the A, B and C wings; washers and dryers provided in the D wing, East wing, West wing and cottages;
- Planned activities (social, cultural, recreational, educational, and spiritual) for those who wish to participate;
- Services of a chaplain;

- Services of a life enrichment director;
- Parking for residents and guests;
- Carpeting (except in kitchen and bath), unless some other floor surface has been installed;
- Kitchen facilities;
- Scheduled local transportation as published by us, including transportation to local medical facilities (non-emergency);
- Limited additional storage space for A, B, C, D, East and West wing apartments;
- Emergency call system, with 24-hour check-in;
- Smoke detectors;
- Security – 24 hours a day; and
- Six (6) days each year of assisted living, memory care or nursing care in the Community Health Center as outlined in Paragraph 4.4.

**2.2 Supplemental Services Provided for Extra Charge.** Supplemental services, when available, will be provided at Extra Charge and are described below. A list of Extra Charges for these supplemental services can be obtained from administration.

- Extra meals, depending upon a resident's dining allowance;
- Extended meal delivery as approved by authorized staff;
- Preparation of special diets (beyond those which are routine), as prescribed by your attending physician;
- Additional housekeeping services;
- Guest accommodations, if available;
- Guest meals;
- Personal transportation and transportation for special events and group trips;
- Community Health Center services as outlined in Section 4 (including

assisted living, memory care, nursing care, and the services of the Clinic);

- Wireless Internet; and
- Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, etc.) as outlined in Paragraph 4.10.

### **3. TERMS OF RESIDENCY.**

**3.1 Use of the Residence.** The Residence is for living only and will not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions. This Agreement is not a lease, and grants you only the right to live in the Residence, access to other facilities of the Community, and to available services and amenities, subject to the terms and conditions of this Agreement.

**3.2 Duration of Your Right to Occupy the Residence.** You may reside in your Residence for as long as you (or either of you in the case of Joint Residents) live unless you (both of you in the case of Joint Residents) are not capable of occupancy as set forth in our residency policy, or this Agreement is canceled by you or by us. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that you need assisted living services, memory care services, or nursing care services, you will be requested to relocate to the Community Health Center or Comparable Facility (as defined in Paragraph 4.2).

**3.3 Occupants of the Residence.** Except as hereinafter provided, no person other than you (both of you in the case of Joint Residents) may occupy the Residence. In the event that a second person who is not a party to this Agreement is accepted for residency in the Residence after the date we

sign this Agreement (said acceptance to be in accordance with our current residency policy), an Entrance Fee in an amount to be determined by us (which will be no more than one-half of the then-current Entrance Fee for the Residence) shall be paid upon residency, and each month thereafter, the then-current Second Person Monthly Fee shall be paid as part of the Monthly Fee. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than thirty (30) days, except with our express written approval.

If the Resident marries a person who is also a resident of the Community, and should they decide to occupy one residence as Joint Residents, they must declare which residence will be occupied and which residence will be released. The refund due for the released residence, if any, will be provided as described in Paragraph 9.5 of this Agreement.

**3.4 Guests.** Guests are welcome to stay in your Residence for short stays not to exceed ten (10) consecutive days. Such stay shall not, in the opinion of the Executive Director, adversely affect the operation of the Community or be inconsistent with the welfare of our residents.

**3.5 Release.** We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from such liability.

**3.6 Insurance.** Our insurance does not cover your personal property or your liability. It is recommended that you carry personal property insurance and liability insurance at your own expense to cover against any loss or damage to your personal

property or to the property of others caused by your negligence or that of your guests. If requested by us, you agree to provide us with proof of such insurance coverage.

### **3.7 Removal and Storage of Resident's Personal Property.**

**3.7.1** Within thirty (30) days following the date of your death (the death of the surviving Resident in the case of Joint Residents). If your personal property is not removed from the Residence and from any storage unit within such thirty (30) days, we will continue to charge your estate the Monthly Fee as outlined in Paragraph 1.5.1 above, or we may remove and store such personal property at the expense and risk of your estate. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated. We will only allow the executor(s) named in your Will to remove or dispose of your personal property in your living accommodation and any related storage unit at the Community. Members of your family or those to whom you have granted power of attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

**3.7.2** Within thirty (30) days following the date notice is delivered to you of your permanent relocation to the Community Health Center or Comparable Facility for Health Center Level Services (see definitions in Paragraphs 4.1 and 4.2), or to another care facility licensed to provide the appropriate care you need. If your personal property is not removed from your

Residence and from any storage unit within such thirty (30) days, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.2 above, or we may remove and store such personal property at your expense and risk.

**3.7.3** At the end of the cancellation period outlined in Section 7 or 8. If your personal property is not removed from your Residence and from any storage unit by the end of the cancellation period, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.3 above, or we may remove and store such personal property at your expense and risk. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated.

**3.8 Furnishings.** Furnishings within the Residence will not be provided by us except as stated in Paragraph 2.1. Furnishings provided by you shall not be such as to interfere with your health, safety or general welfare, or that of other residents or others.

**3.9 Emergency Entry and Relocation.** We may enter your Residence should it be necessary in an emergency to protect your health or safety or the health or safety of other residents. If relocation is recommended by the Medical Director or your attending physician, we will request that you relocate to another residence within the Community, or to the Community Health Center or a Comparable Facility (as defined in Paragraph 4.2), or to a hospital or other health care facility for the protection of your health or safety or for the health or safety of the other residents of the Community.

**3.10 Alterations by You.** You may not undertake any alterations to your Residence without our prior written approval. Said alterations will be set forth in a separate addendum to this Agreement, signed by you and us.

**3.11 Condition of Residence.** Upon vacating the Residence, you agree to leave it in good and clean condition. You shall be liable to us for any charges incurred to restore your Residence to good and clean condition, except for normal wear and tear.

**3.12 Rights of Second Single Resident.** When two Joint Residents reside in a single Residence under this Agreement, upon the death or permanent relocation of one Resident to a different level of care at the Community, or other inability of that Resident to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the terms of this Agreement and shall pay the Monthly Fee.

**3.13 Smoke-Free Community.** The Community is a smoke-free community, pursuant to its Smoke-Free Community Policy (a copy of which is available upon request), wherein the campus and buildings have been designated as "smoke free". Smoking (including E-Cigarettes) is not allowed by residents, guests, staff, and business invitees in any part of the Community (except in designated outdoor areas), including, but not limited to, the residences, the Community Health Center (including the assisted living facility, memory care unit, and the nursing facility), hallways, dining rooms, public restrooms, lounge areas, reception areas, waiting rooms, courtyards, entrances, walking paths, driveways, and any other common areas of the Community. Outside designated smoking areas will be posted. Violation of the Smoke-Free Community Policy can result in our

cancellation of this Agreement for just cause as outlined in Paragraph 8.1 hereof.

**3.14 Firearms Policy.** The Community has adopted a policy governing the possession of firearms at the Community. Firearms need to be registered with the Community and properly secured. In the event that you are unable to safely maintain a firearm, we will contact your designated power of attorney, legal representative or family member to remove any firearms from your Residence.

#### **4. THE COMMUNITY HEALTH CENTER.**

**4.1 Description.** The Community Health Center is the portion of the Community which is licensed to provide three levels of care: assisted living care, memory care, and nursing care (collectively "Health Center Level Services"). The Community Health Center is staffed by licensed nursing personnel 24 hours a day.

**4.2 Alternate Accommodations.** You will be given priority over non-residents for admission to the Community Health Center. In the event the Community Health Center is fully occupied when you are determined to need such care, you agree to relocate to an alternate health care facility that provides services similar to the Community Health Center or to another care facility licensed to provide the appropriate care you need (a "Comparable Facility") until an appropriate space becomes available for you at the Community. We will not be responsible for the charges associated with the Comparable Facility. Upon your relocation to a Comparable Facility, you shall continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

**4.3 Clinic.** The Clinic is available for certain examinations,

consultations, tests and appointments. Such services will be at an Extra Charge to you.

**4.4 Six (6) Days of Assisted Living, Memory Care or Nursing Care.** You are eligible to receive a total of six (6) days each year of either assisted living care, memory care or nursing care in the Community Health Center while you are a resident of your Residence. In the case of Joint Residents, each of you will receive six (6) days, but the days cannot be combined and used by only one of you. Such six (6) days renews on an annual basis and does not accumulate. You are required to pay the charges for physician services and any additional health services as outlined in Paragraph 4.10. Once you are permanently assigned to assisted living, memory care or nursing care in the Community Health Center or Comparable Facility, you no longer qualify for the six (6) free days of assisted living, memory care or nursing care and will be required to pay the per diem charge for such care. **[NOTE: The six (6) days of care is a combined annual total for assisted living, memory care and nursing care at the Community.]**

**4.5 Transfer to Health Center Level Services.** In the event your physical or mental health is determined by us to be appropriate for Health Center Level Services, you agree to relocate to the Community Health Center or a Comparable Facility. Such a determination will be made by us after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

**4.6 Temporary Relocation to the Community Health Center.** In the event you require temporary care in the Community Health Center (beyond the six (6) days of care as outlined in Paragraph 4.4, if applicable), you will pay the per diem

charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 4.10. In addition, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above.

**4.7 Permanent Relocation to Health Center Level Services.** In the event you require permanent care in the Community Health Center (beyond the six (6) days of care as outlined in Paragraph 4.4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 4.10. If you are determined appropriate for Health Center Level Services, and are permanently relocated to the Community Health Center or a Comparable Facility, you will be required to release your Residence to us, and remove all of your personal property from the Residence and from any storage unit as outlined in Paragraph 3.7.2. We shall have the right to reassign the Residence for occupancy by others except as provided in Paragraph 3.12. Release of the Residence due to your permanent relocation to the Community Health Center or to a Comparable Facility does not qualify you for a refund of the Entrance Fee, unless this Agreement is canceled. Subject to the terms and conditions of this Agreement, you will continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

**4.8 Relocation within the Community Health Center.** We reserve the right to relocate you to a different level of care within the Community Health Center if you require such care. Such relocation will be made after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal

representative, and you to the extent possible.

**4.9 Return to Residence.** If we subsequently determine, in consultation with your attending physician, your personal representative and you to the extent possible, that you can resume occupancy in a residence equivalent to the residence you previously occupied, you shall have the right to relocate to such equivalent residence as soon as one is available. Upon reoccupying a residence, your Monthly Fee will be based on the then-current Monthly Fee for the residence.

**4.10 Medical Director, Attending Physician, and Additional Health Services.** We have designated a licensed physician to serve as Medical Director of the Community Health Center. You are required to have a local attending physician. You may engage the services of the Medical Director at your own expense. If your personal physician will be providing you with services in the Community Health Center, he/she may do so upon providing us with his/her credentials and with proof of liability insurance, and he/she agrees to abide by our policies and procedures. We will not be responsible for the charges for medical treatment or services by the Medical Director or your attending physician, nor will we be responsible for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

**4.11 Advanced Payment for Medical Treatment.** In the event we incur or advance payment for your medical treatment or for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment (even in the event such medical care is given at the direction of your attending physician or the

Medical Director without your prior approval), you shall promptly reimburse us for such payments. Upon cancellation of this Agreement for any reason, any amounts due to us under this Paragraph 4.11 shall be offset against any refund of the Entrance Fee.

**4.12 Medicare and Health Insurance.** The Community Health Center has received Medicare certification on six (6) of its nursing beds. When eligible, you are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility. You shall furnish to us such evidence of coverage as we may from time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in the Community Health Center or a Comparable Facility. If you are eligible to receive the six (6) days of nursing care in the Community Health Center as provided in Paragraph 4.4 and your stay in the Community Health Center is a Medicare-qualified stay, such six (6) days will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B and acceptable supplemental health insurance or equivalent insurance coverage.

If you are not eligible for Medicare, you shall maintain health insurance coverage acceptable to us and shall furnish us with evidence of such coverage upon our request. Should your health insurance not fully cover your stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each admission and stay in the Community Health Center or a Comparable Facility.

If failure to maintain Medicare Part A, Medicare Part B, supplemental health insurance or other health insurance coverage causes depletion of your resources and impairs your ability to meet your financial obligations, we need not defer your financial obligations to us as outlined in Paragraph 6.1, and we retain the right to cancel the Residency Agreement as provided in Section 8.

**4.13 Managed Care.** If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:

**4.13.1 Participating Provider.** If the Community Health Center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, the Community agrees to be reimbursed at the rate negotiated with your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with



Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 4.10.

**4.13.2 Not a Participating Provider.** If the Community Health Center is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all charges for health care services. In addition, while receiving health care services at the managed care participating provider, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above. Such a stay at a managed care participating provider will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable.

**4.13.3 Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we will attempt to negotiate a reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. You will continue to pay

the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 4.10.

**4.13.4 No Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive nursing care in the Community Health Center during a Medicare-qualified stay, then each day of your stay in the Community Health Center will reduce by one day the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. During any such Medicare-qualified stay in the Community Health Center, you agree that you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above and any charges for physician services and any additional health services as outlined in Paragraph 4.10. If at any time during any such Medicare-qualified stay in the Community Health Center you are no longer eligible to receive any of the days of care provided for in Paragraph 4.4, then you agree to pay the per diem charge for your care in the Community Health Center, the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, and any charges for physician services and any additional health services as outlined in Paragraph 4.10.

**4.13.5 Post Medicare-Qualified Stay.** At the conclusion of each such Medicare-qualified

stay, you will be entitled to care in the Community Health Center in accordance with the terms of this Agreement other than as provided in this Paragraph 4.13, as adjusted to reflect any reduction during such stay in the number of days of care that you are eligible to receive without additional charge as provided in Paragraph 4.4, as applicable.

**4.14 Long-Term Care Insurance.** We will use reasonable efforts to assist you in working with your long-term care insurance provider to obtain the benefits to which you may be entitled.

**4.15 Transfer to Hospital or Other Care Facility.** If we determine after consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond that which the Community Health Center is licensed to provide, you will be transferred to a hospital or other care facility. Our staff will not accompany you to the hospital or other facility. We shall not be responsible for any charges associated with the transfer and health care expenses or charges incurred by you after such a transfer. You shall continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5 above.

**4.16 Community Health Center Admission Agreement.** If you require care in the Community Health Center, you agree to enter into a separate admission agreement for the appropriate level of care, which will be signed by you and us.

**4.17 Under Age 62.** If you are under the age of 62 when you occupy your Residence under this Agreement, you are not eligible to receive the six (6) days of care in the Community Health Center as described in Paragraph 4.4 until you attain

the age of 62. During this time, you will be entitled to Health Center Level Services at the then-current per diem charge being charged to nonresidents until age 62.

## **5. REPRESENTATIONS.**

**5.1 Our Representations.** We represent and warrant that we are a nonprofit corporation. We are exempt from payment of Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. We are affiliated with the North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction. The North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction is not responsible for our financial or contractual obligations.

**5.2 Your Representations.** You represent and warrant that the representations made in the application for residency, your personal health history, and the confidential financial statement are true and correct and may be relied upon by us as a basis for your acceptance for residency at the Community. You also represent and warrant that you have not made any gift of your property in contemplation of the execution of this Agreement.

## **6. PROMISES.**

**6.1 Our Promises.** It is and shall be our declared policy to operate as a nonprofit organization. We will not cancel this Agreement without just cause as specified in Section 8. Further, we shall not cancel this Agreement solely by reason of your financial inability to pay the full Monthly Fee or the per diem charge for care in the Community Health Center, provided you have met all "spend-down" provisions of eligibility for the Medicaid program and any public assistance funds. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder

by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. You shall be permitted to remain at the Community for a reduced fee based on your ability to pay for as long as you establish facts to justify deferment of such charges and when deferment of such charges can, in our sole discretion, be granted without impairing our ability to operate the Community on a sound financial basis for the benefit of all residents.

**6.2 Your Promises.** You agree to comply with all policies and procedures of the Community as now existing or as hereafter amended; to pay the Entrance Fee, Monthly Fee, and any other charges as provided in this Agreement; to not impair your ability to meet the financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance, without our consent; to apply for public assistance funds (if available) and/or Medicaid (if the Community Health Center becomes Medicaid certified) if you should need financial assistance as outlined in Paragraph 6.1 above while receiving Health Center Level Services; and to abide by all other terms of this Agreement.

## **7. CANCELLATION BY RESIDENT.**

**7.1 Right of Rescission.** Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. However, if you occupy the

Residence during the rescission period and then rescind this Agreement, you will only be charged a Monthly Fee for the period of time that you actually occupied the Residence. Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 9.2.

**7.2 Cancellation Prior to Occupancy.** You may cancel this Agreement for any reason at any time before you move into the Community by giving us written notice signed by you (both of you in the case of Joint Residents). Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 9.3 or 9.4. If you die prior to occupying the Residence or if, on account of illness, injury or incapacity, you are precluded from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel upon our receipt of notice of your death, illness, injury or incapacity. If you elect to cancel this Agreement because of a substantial change in your physical, mental, or financial condition prior to occupancy, then this Agreement will cancel upon written notice from you. Refund of the Entrance Fee shall be as outlined in Paragraph 9.3.

**7.3 Cancellation After Occupancy.** You may cancel this Agreement for any reason after moving into the Community by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must remove your personal property from the Residence and from any storage unit within said thirty (30) day notice period as outlined in Paragraph 3.7.3. You are obligated to pay the Monthly Fee during the thirty (30) days, and thereafter if the Residence has not been released to us in accordance with Paragraph 1.5.3 above. Refund of the Entrance Fee shall be as outlined in Paragraph 9.5.

**7.4 Cancellation Due to Death After Occupancy.** This Agreement will automatically cancel upon your death (unless you have a surviving Joint Resident). Your estate must remove your personal property from the Residence and from any storage unit within thirty (30) days after your death as outlined in Paragraph 3.7.1. Your estate will be obligated to pay the Monthly Fee as outlined in Paragraph 1.5.1 above. Refund of the Entrance Fee shall be as outlined in Paragraph 9.5.

## **8. CANCELLATION BY UMRH.**

**8.1 Cancellation Upon Notice.** We may, upon notice and opportunity to cure as hereinafter provided, cancel this Agreement for just cause. Just cause shall include the occurrence of any of the following events (hereinafter referred to as a "Default"):

### **8.1.1 Noncompliance.**

You do not comply with the terms of this Agreement or the published operating procedures, covenants, rules, regulations, and policies now existing or later amended by us.

### **8.1.2 Misrepresentation.**

You misrepresent yourself or fail to disclose information during the residency process.

**8.1.3 Nonpayment.** You fail to pay any charges to us, subject to the provisions of Paragraph 6.1, within forty-five (45) days of the date when such charges are due.

**8.1.4 Threat to Health or Safety.** Your health status or behavior constitutes a substantial threat to the health, safety or peace of yourself, other residents, or others including your refusal to consent to

relocation, or behavior that would result in physical damage to the property of the Community or others.

**8.1.5 Change in Condition.** There is a major change in your physical or mental condition and your condition cannot be cared for in the Community Health Center within the limits of our license.

**8.2 Default Notice.** Prior to cancellation for any Default described in Paragraph 8.1.1, 8.1.2 or 8.1.3 above, we shall give you notice in writing of such Default, and you shall have at least thirty (30) days thereafter within which to correct such Default. No Default shall eliminate your obligation to pay the Monthly Fee. If you correct such Default within such time, this Agreement shall not be canceled. If you fail to correct such Default within such time, this Agreement shall cancel at the expiration of such thirty (30) days.

In the event of the occurrence of a Default described in Paragraph 8.1.4 or 8.1.5 above, if we or the Medical Director determines that either the giving of notice of Default or the lapse of time as above provided might be detrimental to you or others, then such notice and/or waiting period prior to cancellation shall not be required. Also, in the event of the occurrence of a Default described in Paragraph 8.1.4 or 8.1.5, we are expressly authorized by you to transfer you to an appropriate hospital or other facility, and we will promptly notify your personal representative or attending physician.

## **9. REFUND OF ENTRANCE FEE.**

**9.1 Nonacceptance by Us.** If we do not accept you for residency at the Community, the full amount of the Entrance Fee you have paid will be promptly refunded to you, without interest.

**9.2 Right of Rescission.** If you rescind this Agreement as provided in Paragraph 7.1, you shall receive a full refund of the portion of the Entrance Fee paid by you, without interest, within sixty (60) days of our receipt of the written notice of rescission.

**9.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, or Incapacity.** If, prior to occupancy and after your right of rescission period has expired, you die or you cancel this Agreement because of illness, injury or incapacity, you or your estate will receive a refund of the portion of the Entrance Fee you have paid, without interest, less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days following (i) the date of automatic cancellation of this Agreement; or (ii) the date of our receipt of your written notice of cancellation.

**9.4 Cancellation Prior to Occupancy for Other Reasons.** If you cancel this Agreement for reasons other than those stated in Paragraphs 9.2 or 9.3 above, you shall receive a refund of the Entrance Fee paid, less a non-refundable portion of the Entrance Fee equal to Two Thousand Dollars (\$2,000) and less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

**9.5 Cancellation After Occupancy.** In the event you or we cancel this Agreement after occupancy or in the event of your death (the death of the survivor in the case of Joint Residents), you or your estate will be reimbursed the amount of the Entrance Fee previously paid by you, less

two percent (2%) for each month of residency or portion thereof, for up to fifty (50) months. After fifty (50) months of occupancy, no refund of the Entrance Fee will be made. Said refund, if any, will be paid, without interest, at such time as a new resident has paid the full amount of the Entrance Fee for your Residence or within two (2) years from the date of cancellation, whichever occurs first.

**9.6 Offset Against Entrance Fee Refund.** In the event of cancellation of this Agreement as described in Paragraph 9.5 above, we will offset against any Entrance Fee refund due to you or your estate the following:

**9.6.1** The amount of any unpaid Monthly Fees, prorated Monthly Fees for the period of time the Residence was occupied (which shall include the period of time until you or your personal representative removes all of your personal property from the Residence and from any storage unit) after cancellation of this Agreement, any Extra Charges, or other charges deferred by us on your behalf under Paragraph 6.1; and

**9.6.2** Any health care expenses incurred on your behalf and other amounts payable to us, which remain unreimbursed; and

**9.6.3** Any charges incurred to restore the Residence to good condition, normal wear and tear excepted, as outlined in Paragraph 3.11; and

**9.6.4** Any charges incurred as a result of options and custom features added to the Residence at your request as outlined in Exhibit A

or in a separate addendum to this Agreement.

## **10. MISCELLANEOUS.**

**10.1 Nature of Rights.** You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 9; (ii) this Agreement and your contractual right to occupy the Community will exist and continue to exist during your lifetime unless canceled as provided herein; (iii) this Agreement grants you the right to occupy and use space in the Community but does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement grants to us complete decision-making authority regarding the management and operation of the Community.

**10.2 Release.** We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from any such liability. You may want to obtain at your own expense insurance to protect against such losses.

**10.3 Amendment.** This Agreement may be amended by agreement of the parties to this Agreement. No amendment of this Agreement shall be valid unless in writing and signed by you and us.

**10.4 Law Changes.** This Agreement may be modified by us at any time in order to comply with applicable laws or regulations. Further, we may change any part of the Community, including the Residence, to meet the requirements of any applicable law or regulation.

**10.5 Entire Agreement.** This Agreement and any addenda or amendments thereto contain our entire understanding with respect to your residency at the Community.

**10.6 Monthly Statement.** You shall receive a monthly statement from us showing the total amount of fees and other charges owed by you, which shall be paid upon receipt and by no later than the fifteenth (15<sup>th</sup>) day of each month.

**10.7 Responsible Party for Business and Financial Decision Making.** Prior to assuming residency at the Community, you agree to execute and deliver to us a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Community.

**10.8 Disposition of Furniture, Possessions, and Property.** You agree to make provision by Will or otherwise for the disposition of all of your furniture, property, and possessions located on the premises of the Community within sixty (60) days after the date of residency.

**10.9 Nonwaiver.** If we fail to insist in any instance upon performance of any of the terms, promises, or conditions of this Agreement, it shall not be construed as a waiver or relinquishment of the future performance of any such terms, promises, or conditions, but your obligation with respect to such future performances shall continue in full force and effect.

**10.10 Notices.** Any notice required to be given to us under this Agreement shall be in writing and sent certified mail, return receipt requested, with all postage and charges prepaid, or hand-delivered to the Executive Director of the Community at 100 Hickory Street; Greenville, North Carolina 27858. Such notices shall be dated and signed.

Any notice required to be given to you shall be delivered to you at the Community or at such other place as you shall designate to us in writing and sent by certified mail or hand delivered. All notices mailed in accordance with this Paragraph shall be deemed to be given when mailed whether or not they are actually received.

**10.11 Indemnity.** We will not be liable for and you agree to indemnify, defend and hold us harmless from claims, damages and expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to, or in any way connected with your negligent or intentional act or omission or that of your guests.

**10.12 Severability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

**10.13 Subordination.** You agree that all your rights under this Agreement will always be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Community, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender(s) such further written evidence of such subordination as such lender(s) may reasonably require. Except to the extent of your obligation to pay the Monthly Fee and Second Person Monthly Fee, you shall not be liable for any such indebtedness.

**10.14 Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. This Agreement will become effective upon acceptance and signature by us.

**10.15 Resident.** In the case of Joint Residents, the rights and obligations of each are joint and several, except as the context of this Agreement otherwise requires.

**10.16 Reimbursement for Loss or Damage.** You or your responsible party, if applicable, agree to reimburse us for any loss or damage to the Community caused by your intentional, careless, or negligent acts or omissions or that of your guests.

**10.17 Charges for Collection.** You agree to reimburse us for any charges we incur to collect any unpaid amounts you or estate owes to us under this Agreement.

**10.18 Sale or Transfers of Interest.** We may sell or transfer our interest in the Community provided the buyer will agree to assume this Agreement and all other existing Residency Agreements. Upon the assumption of this Agreement by a buyer of the Community

and its agreement to perform this Agreement and all other agreements, we will have no further obligation hereunder. Your signature hereto constitutes your consent and approval of any such future transaction.

**10.19 Private Employee of Resident.** If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency (personal service provider). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home health agency. In any event, you must comply with our policy regarding personal service providers, and ensure that your private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct set forth in our policy. If you fail to follow or enforce the policies and rules set forth therein, then we may elect, in our sole option, to cancel this Agreement.

**10.20 Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement as more fully explained in our Disclosure Statement.

**10.21 Management.** We have engaged the services of Life Care Services LLC ("LCS") to manage Cypress Glen. We are not affiliated with LCS nor is LCS responsible for our contractual or financial obligations or the contractual or financial obligations of Cypress Glen.

**10.22 Governing Law.** This Agreement will be governed, interpreted and construed according to the laws of the State of North Carolina.

**10.23 Survival of Representations and Obligations.** Your representations and obligations under this Agreement, including but not limited to, your obligation to pay all sums owed by you to us, and your

agreement to indemnify us as set forth in Paragraph 10.11, and our representations and obligations under this Agreement, will survive any cancellation of your residency in the Community, regardless of the reason for such cancellation and regardless of whether it is initiated by you or by us.

## **11. MEDIATION AND ARBITRATION.**

**11.1 Mediation.** In the event a dispute, claim or controversy of any kind arises between the parties – except for those disputes, claims or controversies arising under Paragraph 11.3 below – that cannot be resolved by mutual agreement, the parties agree to submit such dispute, claim or controversy to a neutral mediator for possible resolution. The parties will jointly agree on a neutral mediator. Each party shall submit all evidence or information in writing to the mediator in support of its contentions or allegations and any defense either party may have with respect to the dispute, claim or controversy. Each party shall have the right to a hearing before the mediator and to personally present information pertinent to such dispute, claim or controversy. The mediator shall assist each party, in an unbiased manner, in reaching an amicable agreement regarding the dispute, claim or controversy. If an amicable agreement is not reached, or if either party fails or refuses to negotiate or mediate in good faith to resolve the matter, or if a neutral mediator cannot be agreed upon between the parties, then the parties agree to submit such dispute, claim or controversy to an arbitration process as outlined below.

**11.2 Arbitration.** In the event a dispute, claim or controversy of any kind arising out of or relating to this Agreement – except for those disputes, claims or controversies arising under Paragraph 11.3 below – cannot be resolved through



mediation as described in Paragraph 11.1 above, the parties agree that said dispute, claim, or controversy will be submitted to and determined by arbitration in Pitt County, North Carolina in accordance with the Federal Arbitration Act. You and we will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in state law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all residents of the Community provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue affects more than one (1) resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us. This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

**11.3 Voluntary Arbitration of Negligent Health Care Claims.** For all claims for damages in personal injury or wrongful death actions, based on alleged negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C. G.S.

§90-21.60(b) prohibits any contract from requiring prior agreement of the parties to arbitrate negligent health care claims. Thus, Paragraphs 11.1 and 11.2 do not apply to personal injury or wrongful death actions based on alleged negligence in the provision of health care. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

[Signature Page Follows]

You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement dated \_\_\_\_\_, 20\_\_\_\_.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**THE UNITED METHODIST  
RETIREMENT HOMES,  
INCORPORATED  
d/b/a Cypress Glen Retirement  
Community**

\_\_\_\_\_  
RESIDENT

By \_\_\_\_\_  
Executive Director

\_\_\_\_\_  
Witness

Date: \_\_\_\_\_

\_\_\_\_\_  
RESIDENT

By \_\_\_\_\_  
Authorized Agent of UMRH

\_\_\_\_\_  
Witness

Date: \_\_\_\_\_

Attachment: Exhibit A



CG Standard Residency Agreement  
(2018.02.03) CLEAN.docx

**Exhibit A**

<b>Options and Custom Features Added at Resident's Request:</b>	<b>Amount</b>
	\$
	\$
	\$
	\$
	\$
	\$
<b>Total</b>	\$

**Initials** \_\_\_\_\_  
**Community**

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

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

WBD(US) 41242208v3



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(252) 830-0036  
[www.cypressglen.org](http://www.cypressglen.org)**

## **50 Percent Return of Capital™ Residency Agreement**

02/05/2018



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Exhibit A – Options and Custom Features Added at Resident's Request

## GLOSSARY

The following terms are described as used in the accompanying Residency Agreement. Reference to the Residency Agreement and the context in which the terms are used is recommended to provide a fuller understanding of each of the terms:

**"Agreement"** means the Residency Agreement, entered into between the Resident and The United Methodist Retirement Homes, Incorporated, which outlines the contractual obligations of both parties.

**"Community"** means the continuing care retirement community known as "Cypress Glen Retirement Community," including all of the residences, common areas, and site amenities.

**"Entrance Fee"** means payment that assures a resident a place at the Community for life as long as the resident complies with terms of this Agreement. At the time the resident makes application for residency at the Community, the resident will sign a Residency Agreement to reserve the residence selected and will pay an Entrance Fee deposit to the Community. The balance of the Entrance Fee will be paid on the earlier of (i) occupancy or (ii) 90 days after the Residency Agreement is executed. Specific information is located in Paragraph 1.2 of this Agreement.

**"Extra Charges"** means the additional fees required to be paid for the additional services and amenities requested by Resident, as set forth in Paragraph 2.2 of this Agreement.

**"Health Center"** means the portion of the Community, which is licensed to provide three levels of care: assisted living care, memory care, and nursing care, as described in Section 4 of the Agreement.

**"Monthly Fee"** means that fee payable each month by the Resident as set forth in

Paragraphs 1.3 and 1.4 of the Agreement, in consideration for the services and amenities provided to the residents of the Community described in Paragraph 2.1 of this Agreement. If there are Joint Residents under this Agreement, the Monthly Fee will include a "Second Person Monthly Fee."

**"Residence"** means the apartment or cottage at the Community identified in the introductory paragraph of the Agreement, in which the Resident has the right to live pursuant to this Agreement in exchange for paying the Entrance Fee and the Monthly Fee.

**"Resident" or "you"** means the Resident(s) who sign this Agreement. Sometimes a second resident (if there are two of you) is referred to in this Agreement as the "Joint Resident." Further, both Residents may be referred to as "Joint Residents." Unless otherwise indicated, "you" refers to both of you if there are two of you.

**"Responsible Party"** refers to that person who may act on resident's behalf, including signing this Agreement.

**"The United Methodist Retirement Homes, Incorporated" or "we" or "our" or "us"** means the owner of the retirement community known as Cypress Glen Retirement Community, including all of the residences, common areas, and site amenities associated with these areas. The United Methodist Retirement Homes, Incorporated is a North Carolina non-profit corporation.





## Residency Agreement 50 Percent Return of Capital™

### INTRODUCTION

This 50 Percent Return of Capital™ Residency Agreement ("Agreement") is entered into by The United Methodist Retirement Homes, Incorporated ("UMRH," "we," "us," or "our") and \_\_\_\_\_ (individually or collectively, "you," "your," or "Resident"). Cypress Glen Retirement Community is a continuing care retirement community located at 100 Hickory Street; Greenville, NC 27858 ("Cypress Glen" or "Community").

We will provide residential housing for seniors along with a wide array of personal services and amenities outlined in this Agreement. Subject to the conditions contained in this Agreement, we agree to make available to you the Residence described as follows:

Residence Number \_\_\_\_\_  
Residence Style \_\_\_\_\_

You may select certain options and custom features in the Residence at an additional charge, which shall not be subject to any refund provision herein. Any such options and custom features selected and paid for by you will become our property. Such options and custom features must be approved by the Executive Director of the Community prior to adding them to the Residence. The Executive Director of the Community has consented to your request to add the options and custom features set forth on Exhibit A attached to this Agreement. You agree to pay the amount(s) set forth on Exhibit A to cover the charges for such items.

As a Resident of the Community, you are offered lifetime use of your Residence and lifetime access to the Community Health Center, subject to the terms and conditions of this Agreement.

To be accepted for residency, you must meet our residency criteria, which includes: having reached the age of 62 (or sharing your Residence with a Joint Resident who is 62 or older); financial guidelines; and the ability to live in a residence (with or without reasonable accommodation and/or reasonable modification) – all as outlined in our current residency policy.

The purpose of this Agreement is to set forth your rights and duties as a Resident of the Community and to delineate the services to be provided at the Community.

**1. CHARGES FOR RESIDENCE AND PRIMARY SERVICES.**

**1.1 Application Fee.** Prior to or upon your execution of this Agreement, you will pay to us a non-refundable Application Fee of \$\_\_\_\_\_. The Application Fee will be used by us to process your application for residency.

**1.2 Entrance Fee.** In order to reside at the Community for life, subject to this Agreement, and to receive the services and amenities described below, you agree to pay to us (in addition to the Monthly Fee described below) an Entrance Fee in the amount of \$\_\_\_\_\_ (includes first and second person, if applicable). The total amount of the Entrance Fee shall be payable as follows:

**1.2.1** Ten percent (10%) of the total Entrance Fee is \$\_\_\_\_\_, less any previously paid Future Resident Fee (\$\_\_\_\_\_), equals \$\_\_\_\_\_, which amount is due and payable upon your execution of this Agreement.

**1.2.2** The balance of \$\_\_\_\_\_ of the Entrance Fee shall be paid on the date you assume occupancy at the Community or within ninety (90) days from the date this Agreement is executed by you, whichever is earlier.

**1.3 Monthly Fee.** You are obligated to begin paying a Monthly Fee (or a pro rata portion thereof) on the date you assume occupancy at the Community or within ninety (90) days from the date this Agreement is executed by you, whichever is earlier. Thereafter, the Monthly Fee is due upon receipt of a statement from us and by no later than the fifteenth (15<sup>th</sup>) of each month. The Monthly Fee is initially set at a specific amount that can be increased as described in Paragraph 1.6 below. A

"Second Person Monthly Fee" shall become part of the Monthly Fee and shall be paid if two persons are Joint Residents under this Agreement. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component.

**1.4 Initial Monthly Fee.** The initial Monthly Fee payable by you is \$\_\_\_\_\_ per month and an additional \$\_\_\_\_\_ per month as a Second Person Monthly Fee component of the Monthly Fee if two persons reside as Joint Residents pursuant to this Agreement.

**1.5 Continuance of Monthly Fee.** Payment of the Monthly Fee will continue as follows:

**1.5.1** In the event of your death (in the case of Joint Residents, the death of the surviving Resident), until your estate removes all of your personal property from the Residence and from any storage unit.

**1.5.2** In the event of your permanent relocation to Health Center Level Services or Comparable Facility for Health Center Level Services (see definitions in Paragraphs 4.1 and 4.2), or to another care facility licensed to provide the appropriate care you need, until you or your personal representative removes all of your personal property from the Residence and from any storage unit.

**1.5.3** In the event of cancellation of this Agreement as outlined in Section 7 or 8, until expiration of the cancellation period and continues until you remove all of

your personal property from the Residence and from any storage unit.

**1.6 Increase in Monthly Fee.**

The Monthly Fee is paid to us to provide the services and amenities described in this Agreement and is intended to meet the expenses associated with the operation of the Community. We may increase the Monthly Fee (which includes the Second Person Monthly Fee where applicable) upon thirty (30) days' written notice if we, in our sole discretion, deem it necessary to meet the financial needs of the Community or to provide quality services to the Residents.

**1.7 Reduction in Monthly Fee Due to Absence.** Upon the request of the Resident, the Community will provide a reduction in the Monthly Fee when a Resident is absent from the Community, equal to the raw food costs determined through the Community's budgeting process, outlined as follows:

- Two (2) Meals a Day Plan: Must be absent from the Community for more than forty-five (45) consecutive days to qualify for the reduction. The reduction begins on day 46.
- Twenty-Five (25) Meals a Month Plan: Must be absent from the Community for more than ninety (90) consecutive days to qualify for the reduction. The reduction begins on day 91.

**1.8 Reserve Funds.** The amount of the Monthly Fee also is and will continue to be affected by our policy of maintaining reserve funds for the financial security of the Community.

**1.9 Late Payment Charge.** We will charge a late payment charge in the amount of twenty-five dollars (\$25.00) if the Monthly Fees or any Extra Charges are not paid by the fifteenth (15<sup>th</sup>) day of the month.

Balances over thirty (30) days old will be assessed a one percent (1%) interest charge per month. If we hire a collection agency or attorney to collect the Monthly Fee and Extra Charges past due from you, you are to pay any and all costs of collection, including reasonable attorney's fees, costs, and expenses associated with such collection efforts.

**2. DESCRIPTION OF PRIMARY AND SUPPLEMENTAL SERVICES.**

**2.1 Services Provided for the Monthly Fee.** We will provide you, in consideration for the Monthly Fee referred to above, the following services and amenities at the Community:

- Dining allowance equal to two (2) meals per day for residents of A and B wings; three (3) meals per day for residents of the C wing; and twenty-five (25) meals per month for residents of the D wing, East wing, West wing, and cottages;
- Limited meal delivery to be provided when approved by authorized staff;
- Consultation and preparation of routine special diets;
- Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;
- Standard television cable system;
- Building janitor and maintenance;
- Grounds keeping;
- Weekly housekeeping services;
- Laundry facilities for residents in the A, B and C wings; washers and dryers provided in the D wing, East wing, West wing and cottages;
- Planned activities (social, cultural, recreational, educational, and spiritual) for those who wish to participate;
- Services of a chaplain;

- Services of a life enrichment director;
- Parking for residents and guests;
- Carpeting (except in kitchen and bath), unless some other floor surface has been installed;
- Kitchen facilities;
- Scheduled local transportation as published by us, including transportation to local medical facilities (non-emergency);
- Limited additional storage space for A, B, C, D, East and West wing apartments;
- Emergency call system, with 24-hour check-in;
- Smoke detectors;
- Security – 24 hours a day; and
- Six (6) days each year of assisted living, memory care or nursing care in the Community Health Center as outlined in Paragraph 4.4.

**2.2 Supplemental Services Provided for Extra Charge.** Supplemental services, when available, will be provided at Extra Charge and are described below. A list of Extra Charges for these supplemental services can be obtained from administration.

- Extra meals, depending upon a resident's dining allowance;
- Extended meal delivery as approved by authorized staff;
- Preparation of special diets (beyond those which are routine), as prescribed by your attending physician;
- Additional housekeeping services;
- Guest accommodations, if available;
- Guest meals;
- Personal transportation and transportation for special events and group trips;
- Community Health Center services as outlined in Section 4 (including

assisted living, memory care, nursing care, and the services of the Clinic);

- Wireless Internet; and
- Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, etc.) as outlined in Paragraph 4.10.

### **3. TERMS OF RESIDENCY.**

**3.1 Use of the Residence.** The Residence is for living only and will not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions. This Agreement is not a lease, and grants you only the right to live in the Residence, access to other facilities of the Community, and to available services and amenities, subject to the terms and conditions of this Agreement.

**3.2 Duration of Your Right to Occupy the Residence.** You may reside in your Residence for as long as you (or either of you in the case of Joint Residents) live unless you (both of you in the case of Joint Residents) are not capable of occupancy as set forth in our residency policy, or this Agreement is canceled by you or by us. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that you need assisted living services, memory care services, or nursing care services, you will be requested to relocate to the Community Health Center or Comparable Facility (as defined in Paragraph 4.2).

**3.3 Occupants of the Residence.** Except as hereinafter provided, no person other than you (both of you in the case of Joint Residents) may occupy the Residence. In the event that a second person who is not a party to this Agreement is accepted for residency in the Residence after the date we

sign this Agreement (said acceptance to be in accordance with our current residency policy), an Entrance Fee in an amount to be determined by us (which will be no more than one-half of the then-current Entrance Fee for the Residence) shall be paid upon residency, and each month thereafter, the then-current Second Person Monthly Fee shall be paid as part of the Monthly Fee. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than thirty (30) days, except with our express written approval.

If the Resident marries a person who is also a resident of the Community, and should they decide to occupy one residence as Joint Residents, they must declare which residence will be occupied and which residence will be released. The refund due for the released residence, if any, will be provided as described in Paragraph 9.5 of this Agreement.

**3.4 Guests.** Guests are welcome to stay in your Residence for short stays not to exceed ten (10) consecutive days. Such stay shall not, in the opinion of the Executive Director, adversely affect the operation of the Community or be inconsistent with the welfare of our residents.

**3.5 Release.** We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from such liability.

**3.6 Insurance.** Our insurance does not cover your personal property or your liability. It is recommended that you carry personal property insurance and liability insurance at your own expense to cover against any loss or damage to your personal

property or to the property of others caused by your negligence or that of your guests. If requested by us, you agree to provide us with proof of such insurance coverage.

### **3.7 Removal and Storage of Resident's Personal Property.**

**3.7.1** Within thirty (30) days following the date of your death (the death of the surviving Resident in the case of Joint Residents). If your personal property is not removed from the Residence and from any storage unit within such thirty (30) days, we will continue to charge your estate the Monthly Fee as outlined in Paragraph 1.5.1 above, or we may remove and store such personal property at the expense and risk of your estate. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated. We will only allow the executor(s) named in your Will to remove or dispose of your personal property in your living accommodation and any related storage unit at the Community. Members of your family or those to whom you have granted power of attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

**3.7.2** Within thirty (30) days following the date notice is delivered to you of your permanent relocation to the Community Health Center or Comparable Facility for Health Center Level Services (see definitions in Paragraphs 4.1 and 4.2), or to another care facility licensed to provide the appropriate care you need. If your personal property is not removed from your

Residence and from any storage unit within such thirty (30) days, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.2 above, or we may remove and store such personal property at your expense and risk.

**3.7.3** At the end of the cancellation period outlined in Section 7 or 8. If your personal property is not removed from your Residence and from any storage unit by the end of the cancellation period, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.3 above, or we may remove and store such personal property at your expense and risk. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated.

**3.8 Furnishings.** Furnishings within the Residence will not be provided by us except as stated in Paragraph 2.1. Furnishings provided by you shall not be such as to interfere with your health, safety or general welfare, or that of other residents or others.

**3.9 Emergency Entry and Relocation.** We may enter your Residence should it be necessary in an emergency to protect your health or safety or the health or safety of other residents. If relocation is recommended by the Medical Director or your attending physician, we will request that you relocate to another residence within the Community, or to the Community Health Center or a Comparable Facility (as defined in Paragraph 4.2), or to a hospital or other health care facility for the protection of your health or safety or for the health or safety of the other residents of the Community.

**3.10 Alterations by You.** You may not undertake any alterations to your Residence without our prior written approval. Said alterations will be set forth in a separate addendum to this Agreement, signed by you and us.

**3.11 Condition of Residence.** Upon vacating the Residence, you agree to leave it in good and clean condition. You shall be liable to us for any charges incurred to restore your Residence to good and clean condition, except for normal wear and tear.

**3.12 Rights of Second Single Resident.** When two Joint Residents reside in a single Residence under this Agreement, upon the death or permanent relocation of one Resident to a different level of care at the Community, or other inability of that Resident to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the terms of this Agreement and shall pay the Monthly Fee.

**3.13 Smoke-Free Community.** The Community is a smoke-free community, pursuant to its Smoke-Free Community Policy (a copy of which is available upon request), wherein the campus and buildings have been designated as "smoke free". Smoking (including E-Cigarettes) is not allowed by residents, guests, staff, and business invitees in any part of the Community (except in designated outdoor areas), including, but not limited to, the residences, the Community Health Center (including the assisted living facility, memory care unit, and the nursing facility), hallways, dining rooms, public restrooms, lounge areas, reception areas, waiting rooms, courtyards, entrances, walking paths, driveways, and any other common areas of the Community. Outside designated smoking areas will be posted. Violation of the Smoke-Free Community Policy can result in our

cancellation of this Agreement for just cause as outlined in Paragraph 8.1 hereof.

**3.14 Firearms Policy.** The Community has adopted a policy governing the possession of firearms at the Community. Firearms need to be registered with the Community and properly secured. In the event that you are unable to safely maintain a firearm, we will contact your designated power of attorney, legal representative or family member to remove any firearms from your Residence.

#### **4. THE COMMUNITY HEALTH CENTER.**

**4.1 Description.** The Community Health Center is the portion of the Community which is licensed to provide three levels of care: assisted living care, memory care, and nursing care (collectively "Health Center Level Services"). The Community Health Center is staffed by licensed nursing personnel 24 hours a day.

**4.2 Alternate Accommodations.** You will be given priority over non-residents for admission to the Community Health Center. In the event the Community Health Center is fully occupied when you are determined to need such care, you agree to relocate to an alternate health care facility that provides services similar to the Community Health Center or to another care facility licensed to provide the appropriate care you need (a "Comparable Facility") until an appropriate space becomes available for you at the Community. We will not be responsible for the charges associated with the Comparable Facility. Upon your relocation to a Comparable Facility, you shall continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

**4.3 Clinic.** The Clinic is available for certain examinations,

consultations, tests and appointments. Such services will be at an Extra Charge to you.

**4.4 Six (6) Days of Assisted Living, Memory Care or Nursing Care.** You are eligible to receive a total of six (6) days each year of either assisted living care, memory care or nursing care in the Community Health Center while you are a resident of your Residence. In the case of Joint Residents, each of you will receive six (6) days, but the days cannot be combined and used by only one of you. Such six (6) days renews on an annual basis and does not accumulate. You are required to pay the charges for physician services and any additional health services as outlined in Paragraph 4.10. Once you are permanently assigned to assisted living, memory care or nursing care in the Community Health Center or Comparable Facility, you no longer qualify for the six (6) free days of assisted living, memory care or nursing care and will be required to pay the per diem charge for such care. **[NOTE: The six (6) days of care is a combined annual total for assisted living, memory care and nursing care at the Community.]**

**4.5 Transfer to Health Center Level Services.** In the event your physical or mental health is determined by us to be appropriate for Health Center Level Services, you agree to relocate to the Community Health Center or a Comparable Facility. Such a determination will be made by us after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

**4.6 Temporary Relocation to the Community Health Center.** In the event you require temporary care in the Community Health Center (beyond the six (6) days of care as outlined in Paragraph 4.4, if applicable), you will pay the per diem

charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 4.10. In addition, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above.

**4.7 Permanent Relocation to Health Center Level Services.** In the event you require permanent care in the Community Health Center (beyond the six (6) days of care as outlined in Paragraph 4.4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 4.10. If you are determined appropriate for Health Center Level Services, and are permanently relocated to the Community Health Center or a Comparable Facility, you will be required to release your Residence to us, and remove all of your personal property from the Residence and from any storage unit as outlined in Paragraph 3.7.2. We shall have the right to reassign the Residence for occupancy by others except as provided in Paragraph 3.12. Release of the Residence due to your permanent relocation to the Community Health Center or to a Comparable Facility does not qualify you for a refund of the Entrance Fee, unless this Agreement is canceled. Subject to the terms and conditions of this Agreement, you will continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

**4.8 Relocation within the Community Health Center.** We reserve the right to relocate you to a different level of care within the Community Health Center if you require such care. Such relocation will be made after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal

representative, and you to the extent possible.

**4.9 Return to Residence.** If we subsequently determine, in consultation with your attending physician, your personal representative and you to the extent possible, that you can resume occupancy in a residence equivalent to the residence you previously occupied, you shall have the right to relocate to such equivalent residence as soon as one is available. Upon reoccupying a residence, your Monthly Fee will be based on the then-current Monthly Fee for the residence.

**4.10 Medical Director, Attending Physician, and Additional Health Services.** We have designated a licensed physician to serve as Medical Director of the Community Health Center. You are required to have a local attending physician. You may engage the services of the Medical Director at your own expense. If your personal physician will be providing you with services in the Community Health Center, he/she may do so upon providing us with his/her credentials and with proof of liability insurance, and he/she agrees to abide by our policies and procedures. We will not be responsible for the charges for medical treatment or services by the Medical Director or your attending physician, nor will we be responsible for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

**4.11 Advanced Payment for Medical Treatment.** In the event we incur or advance payment for your medical treatment or for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment (even in the event such medical care is given at the direction of your attending physician or the



Medical Director without your prior approval), you shall promptly reimburse us for such payments. Upon cancellation of this Agreement for any reason, any amounts due to us under this Paragraph 4.11 shall be offset against any refund of the Entrance Fee.

**4.12 Medicare and Health Insurance.** The Community Health Center has received Medicare certification on six (6) of its nursing beds. When eligible, you are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility. You shall furnish to us such evidence of coverage as we may from time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in the Community Health Center or a Comparable Facility. If you are eligible to receive the six (6) days of nursing care in the Community Health Center as provided in Paragraph 4.4 and your stay in the Community Health Center is a Medicare-qualified stay, such six (6) days will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B and acceptable supplemental health insurance or equivalent insurance coverage.

If you are not eligible for Medicare, you shall maintain health insurance coverage acceptable to us and shall furnish us with evidence of such coverage upon our request. Should your health insurance not fully cover your stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each admission and stay in the Community Health Center or a Comparable Facility.

If failure to maintain Medicare Part A, Medicare Part B, supplemental health insurance or other health insurance coverage causes depletion of your resources and impairs your ability to meet your financial obligations, we need not defer your financial obligations to us as outlined in Paragraph 6.1, and we retain the right to cancel the Residency Agreement as provided in Section 8.

**4.13 Managed Care.** If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:

**4.13.1 Participating Provider.** If the Community Health Center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, the Community agrees to be reimbursed at the rate negotiated with your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with

Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 4.10.

**4.13.2 Not a Participating Provider.** If the Community Health Center is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all charges for health care services. In addition, while receiving health care services at the managed care participating provider, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above. Such a stay at a managed care participating provider will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable.

**4.13.3 Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we will attempt to negotiate a reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. You will continue to pay

the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 4.10.

**4.13.4 No Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive nursing care in the Community Health Center during a Medicare-qualified stay, then each day of your stay in the Community Health Center will reduce by one day the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. During any such Medicare-qualified stay in the Community Health Center, you agree that you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above and any charges for physician services and any additional health services as outlined in Paragraph 4.10. If at any time during any such Medicare-qualified stay in the Community Health Center you are no longer eligible to receive any of the days of care provided for in Paragraph 4.4, then you agree to pay the per diem charge for your care in the Community Health Center, the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, and any charges for physician services and any additional health services as outlined in Paragraph 4.10.

**4.13.5 Post Medicare-Qualified Stay.** At the conclusion of each such Medicare-qualified

stay, you will be entitled to care in the Community Health Center in accordance with the terms of this Agreement other than as provided in this Paragraph 4.13, as adjusted to reflect any reduction during such stay in the number of days of care that you are eligible to receive without additional charge as provided in Paragraph 4.4, as applicable.

**4.14 Long-Term Care Insurance.** We will use reasonable efforts to assist you in working with your long-term care insurance provider to obtain the benefits to which you may be entitled.

**4.15 Transfer to Hospital or Other Care Facility.** If we determine after consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond that which the Community Health Center is licensed to provide, you will be transferred to a hospital or other care facility. Our staff will not accompany you to the hospital or other facility. We shall not be responsible for any charges associated with the transfer and health care expenses or charges incurred by you after such a transfer. You shall continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5 above.

**4.16 Community Health Center Admission Agreement.** If you require care in the Community Health Center, you agree to enter into a separate admission agreement for the appropriate level of care, which will be signed by you and us.

**4.17 Under Age 62.** If you are under the age of 62 when you occupy your Residence under this Agreement, you are not eligible to receive the six (6) days of care in the Community Health Center as described in Paragraph 4.4 until you attain

the age of 62. During this time, you will be entitled to Health Center Level Services at the then-current per diem charge being charged to nonresidents until age 62.

## **5. REPRESENTATIONS.**

**5.1 Our Representations.** We represent and warrant that we are a nonprofit corporation. We are exempt from payment of Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. We are affiliated with the North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction. The North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction is not responsible for our financial or contractual obligations.

**5.2 Your Representations.** You represent and warrant that the representations made in the application for residency, your personal health history, and the confidential financial statement are true and correct and may be relied upon by us as a basis for your acceptance for residency at the Community. You also represent and warrant that you have not made any gift of your property in contemplation of the execution of this Agreement.

## **6. PROMISES.**

**6.1 Our Promises.** It is and shall be our declared policy to operate as a nonprofit organization. We will not cancel this Agreement without just cause as specified in Section 8. Further, we shall not cancel this Agreement solely by reason of your financial inability to pay the full Monthly Fee or the per diem charge for care in the Community Health Center, provided you have met all "spend-down" provisions of eligibility for the Medicaid program and any public assistance funds. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder

by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. You shall be permitted to remain at the Community for a reduced fee based on your ability to pay for as long as you establish facts to justify deferment of such charges and when deferment of such charges can, in our sole discretion, be granted without impairing our ability to operate the Community on a sound financial basis for the benefit of all residents.

**6.2 Your Promises.** You agree to comply with all policies and procedures of the Community as now existing or as hereafter amended; to pay the Entrance Fee, Monthly Fee, and any other charges as provided in this Agreement; to not impair your ability to meet the financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance, without our consent; to apply for public assistance funds (if available) and/or Medicaid (if the Community Health Center becomes Medicaid certified) if you should need financial assistance as outlined in Paragraph 6.1 above while receiving Health Center Level Services; and to abide by all other terms of this Agreement.

## **7. CANCELLATION BY RESIDENT.**

**7.1 Right of Rescission.** Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. However, if you occupy the

Residence during the rescission period and then rescind this Agreement, you will only be charged a Monthly Fee for the period of time that you actually occupied the Residence. Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 9.2.

**7.2 Cancellation Prior to Occupancy.** You may cancel this Agreement for any reason at any time before you move into the Community by giving us written notice signed by you (both of you in the case of Joint Residents). Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 9.3 or 9.4. If you die prior to occupying the Residence or if, on account of illness, injury or incapacity, you are precluded from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel upon our receipt of notice of your death, illness, injury or incapacity. If you elect to cancel this Agreement because of a substantial change in your physical, mental, or financial condition prior to occupancy, then this Agreement will cancel upon written notice from you. Refund of the Entrance Fee shall be as outlined in Paragraph 9.3.

**7.3 Cancellation After Occupancy.** You may cancel this Agreement for any reason after moving into the Community by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must remove your personal property from the Residence and from any storage unit within said thirty (30) day notice period as outlined in Paragraph 3.7.3. You are obligated to pay the Monthly Fee during the thirty (30) days, and thereafter if the Residence has not been released to us in accordance with Paragraph 1.5.3 above. Refund of the Entrance Fee shall be as outlined in Paragraph 9.5.

**7.4 Cancellation Due to Death After Occupancy.** This Agreement will automatically cancel upon your death (unless you have a surviving Joint Resident). Your estate must remove your personal property from the Residence and from any storage unit within thirty (30) days after your death as outlined in Paragraph 3.7.1. Your estate will be obligated to pay the Monthly Fee as outlined in Paragraph 1.5.1 above. Refund of the Entrance Fee shall be as outlined in Paragraph 9.5.

## **8. CANCELLATION BY UMRH.**

**8.1 Cancellation Upon Notice.** We may, upon notice and opportunity to cure as hereinafter provided, cancel this Agreement for just cause. Just cause shall include the occurrence of any of the following events (hereinafter referred to as a "Default"):

### **8.1.1 Noncompliance.**

You do not comply with the terms of this Agreement or the published operating procedures, covenants, rules, regulations, and policies now existing or later amended by us.

### **8.1.2 Misrepresentation.**

You misrepresent yourself or fail to disclose information during the residency process.

**8.1.3 Nonpayment.** You fail to pay any charges to us, subject to the provisions of Paragraph 6.1, within forty-five (45) days of the date when such charges are due.

**8.1.4 Threat to Health or Safety.** Your health status or behavior constitutes a substantial threat to the health, safety or peace of yourself, other residents, or others including your refusal to consent to

relocation, or behavior that would result in physical damage to the property of the Community or others.

**8.1.5 Change in Condition.** There is a major change in your physical or mental condition and your condition cannot be cared for in the Community Health Center within the limits of our license.

**8.2 Default Notice.** Prior to cancellation for any Default described in Paragraph 8.1.1, 8.1.2 or 8.1.3 above, we shall give you notice in writing of such Default, and you shall have at least thirty (30) days thereafter within which to correct such Default. No Default shall eliminate your obligation to pay the Monthly Fee. If you correct such Default within such time, this Agreement shall not be canceled. If you fail to correct such Default within such time, this Agreement shall cancel at the expiration of such thirty (30) days.

In the event of the occurrence of a Default described in Paragraph 8.1.4 or 8.1.5 above, if we or the Medical Director determines that either the giving of notice of Default or the lapse of time as above provided might be detrimental to you or others, then such notice and/or waiting period prior to cancellation shall not be required. Also, in the event of the occurrence of a Default described in Paragraph 8.1.4 or 8.1.5, we are expressly authorized by you to transfer you to an appropriate hospital or other facility, and we will promptly notify your personal representative or attending physician.

## **9. REFUND OF ENTRANCE FEE.**

**9.1 Nonacceptance by Us.** If we do not accept you for residency at the Community, the full amount of the Entrance Fee you have paid will be promptly refunded to you, without interest.

**9.2 Right of Rescission.** If you rescind this Agreement as provided in Paragraph 7.1, you shall receive a full refund of the portion of the Entrance Fee paid by you, without interest, within sixty (60) days of our receipt of the written notice of rescission.

**9.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, or Incapacity.** If, prior to occupancy and after your right of rescission period has expired, you die or you cancel this Agreement because of illness, injury or incapacity, you or your estate will receive a refund of the portion of the Entrance Fee you have paid, without interest, less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days following (i) the date of automatic cancellation of this Agreement; or (ii) the date of our receipt of your written notice of cancellation.

**9.4 Cancellation Prior to Occupancy for Other Reasons.** If you cancel this Agreement for reasons other than those stated in Paragraphs 9.2 or 9.3 above, you shall receive a refund of the Entrance Fee paid, less a non-refundable portion of the Entrance Fee equal to Two Thousand Dollars (\$2,000) and less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

**9.5 Cancellation After Occupancy.** In the event you or we cancel this Agreement after occupancy or in the event of your death (the death of the survivor in the case of Joint Residents), you or your estate will be reimbursed the amount of the Entrance Fee previously paid by you, less two percent (2%) for each month of

residency or portion thereof, for up to twenty-five (25) months. Subject to our offset rights outlined in Paragraph 9.6, the refund of the Entrance Fee will not be less than fifty percent (50%). Said refund will be paid, without interest, at such time as a new resident has paid the full amount of the Entrance Fee for your Residence or within two (2) years from the date of cancellation, whichever occurs first.

**9.6 Offset Against Entrance Fee Refund.** In the event of cancellation of this Agreement as described in Paragraph 9.5 above, we will offset against any Entrance Fee refund due to you or your estate the following:

**9.6.1** The amount of any unpaid Monthly Fees, prorated Monthly Fees for the period of time the Residence was occupied (which shall include the period of time until you or your personal representative removes all of your personal property from the Residence and from any storage unit) after cancellation of this Agreement, any Extra Charges, or other charges deferred by us on your behalf under Paragraph 6.1; and

**9.6.2** Any health care expenses incurred on your behalf and other amounts payable to us, which remain unreimbursed; and

**9.6.3** Any charges incurred to restore the Residence to good condition, normal wear and tear excepted, as outlined in Paragraph 3.11; and

**9.6.4** Any charges incurred as a result of options and custom features added to the Residence at your request as outlined in Exhibit A

or in a separate addendum to this Agreement.

## **10. MISCELLANEOUS.**

**10.1 Nature of Rights.** You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 9; (ii) this Agreement and your contractual right to occupy the Community will exist and continue to exist during your lifetime unless canceled as provided herein; (iii) this Agreement grants you the right to occupy and use space in the Community but does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement grants to us complete decision-making authority regarding the management and operation of the Community.

**10.2 Release.** We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from any such liability. You may want to obtain at your own expense insurance to protect against such losses.

**10.3 Amendment.** This Agreement may be amended by agreement of the parties to this Agreement. No amendment of this Agreement shall be valid unless in writing and signed by you and us.

**10.4 Law Changes.** This Agreement may be modified by us at any time in order to comply with applicable laws or regulations. Further, we may change any part of the Community, including the Residence, to meet the requirements of any applicable law or regulation.

**10.5 Entire Agreement.** This Agreement and any addenda or amendments thereto contain our entire understanding with respect to your residency at the Community.

**10.6 Monthly Statement.** You shall receive a monthly statement from us showing the total amount of fees and other charges owed by you, which shall be paid upon receipt and by no later than the fifteenth (15<sup>th</sup>) day of each month.

**10.7 Responsible Party for Business and Financial Decision Making.** Prior to assuming residency at the Community, you agree to execute and deliver to us a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Community.

**10.8 Disposition of Furniture, Possessions, and Property.** You agree to make provision by Will or otherwise for the disposition of all of your furniture, property, and possessions located on the premises of the Community within sixty (60) days after the date of residency.

**10.9 Nonwaiver.** If we fail to insist in any instance upon performance of any of the terms, promises, or conditions of this Agreement, it shall not be construed as a waiver or relinquishment of the future performance of any such terms, promises, or conditions, but your obligation with respect to such future performances shall continue in full force and effect.

**10.10 Notices.** Any notice required to be given to us under this Agreement shall be in writing and sent certified mail, return receipt requested, with all postage and charges prepaid, or hand-delivered to the Executive Director of the Community at 100 Hickory Street; Greenville, North Carolina 27858. Such notices shall be dated and signed.

Any notice required to be given to you shall be delivered to you at the Community or at such other place as you shall designate to us in writing and sent by certified mail or hand delivered. All notices mailed in accordance with this Paragraph shall be deemed to be given when mailed whether or not they are actually received.

**10.11 Indemnity.** We will not be liable for and you agree to indemnify, defend and hold us harmless from claims, damages and expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to, or in any way connected with your negligent or intentional act or omission or that of your guests.

**10.12 Severability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

**10.13 Subordination.** You agree that all your rights under this Agreement will always be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Community, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender(s) such further written evidence of such subordination as such lender(s) may reasonably require. Except to the extent of your obligation to pay the Monthly Fee and Second Person Monthly Fee, you shall not be liable for any such indebtedness.

**10.14 Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. This Agreement will become effective upon acceptance and signature by us.

**10.15 Resident.** In the case of Joint Residents, the rights and obligations of each are joint and several, except as the context of this Agreement otherwise requires.

**10.16 Reimbursement for Loss or Damage.** You or your responsible party, if applicable, agree to reimburse us for any loss or damage to the Community caused by your intentional, careless, or negligent acts or omissions or that of your guests.

**10.17 Charges for Collection.** You agree to reimburse us for any charges we incur to collect any unpaid amounts you or estate owes to us under this Agreement.

**10.18 Sale or Transfers of Interest.** We may sell or transfer our interest in the Community provided the buyer will agree to assume this Agreement and all other existing Residency Agreements. Upon the assumption of this Agreement by a buyer of the Community



and its agreement to perform this Agreement and all other agreements, we will have no further obligation hereunder. Your signature hereto constitutes your consent and approval of any such future transaction.

**10.19 Private Employee of Resident.** If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency (personal service provider). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home health agency. In any event, you must comply with our policy regarding personal service providers, and ensure that your private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct set forth in our policy. If you fail to follow or enforce the policies and rules set forth therein, then we may elect, in our sole option, to cancel this Agreement.

**10.20 Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement as more fully explained in our Disclosure Statement.

**10.21 Management.** We have engaged the services of Life Care Services LLC ("LCS") to manage Cypress Glen. We are not affiliated with LCS nor is LCS responsible for our contractual or financial obligations or the contractual or financial obligations of Cypress Glen.

**10.22 Governing Law.** This Agreement will be governed, interpreted and construed according to the laws of the State of North Carolina.

**10.23 Survival of Representations and Obligations.** Your representations and obligations under this Agreement, including but not limited to, your obligation to pay all

sums owed by you to us, and your agreement to indemnify us as set forth in Paragraph 10.11, and our representations and obligations under this Agreement, will survive any cancellation of your residency in the Community, regardless of the reason for such cancellation and regardless of whether it is initiated by you or by us.

## **11. MEDIATION AND ARBITRATION.**

**11.1 Mediation.** In the event a dispute, claim or controversy of any kind arises between the parties – except for those disputes, claims or controversies arising under Paragraph 11.3 below – that cannot be resolved by mutual agreement, the parties agree to submit such dispute, claim or controversy to a neutral mediator for possible resolution. The parties will jointly agree on a neutral mediator. Each party shall submit all evidence or information in writing to the mediator in support of its contentions or allegations and any defense either party may have with respect to the dispute, claim or controversy. Each party shall have the right to a hearing before the mediator and to personally present information pertinent to such dispute, claim or controversy. The mediator shall assist each party, in an unbiased manner, in reaching an amicable agreement regarding the dispute, claim or controversy. If an amicable agreement is not reached, or if either party fails or refuses to negotiate or mediate in good faith to resolve the matter, or if a neutral mediator cannot be agreed upon between the parties, then the parties agree to submit such dispute, claim or controversy to an arbitration process as outlined below.

**11.2 Arbitration.** In the event a dispute, claim or controversy of any kind arising out of or relating to this Agreement – except for those disputes, claims or controversies arising under Paragraph 11.3

below – cannot be resolved through mediation as described in Paragraph 11.1 above, the parties agree that said dispute, claim, or controversy will be submitted to and determined by arbitration in Pitt County, North Carolina in accordance with the Federal Arbitration Act. You and we will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in state law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all residents of the Community provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue affects more than one (1) resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us. This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

**11.3 Voluntary Arbitration of Negligent Health Care Claims.** For all claims for damages in personal injury or wrongful death actions, based on alleged negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the

North Carolina General Statutes. N.C. G.S. §90-21.60(b) prohibits any contract from requiring prior agreement of the parties to arbitrate negligent health care claims. Thus, Paragraphs 11.1 and 11.2 do not apply to personal injury or wrongful death actions based on alleged negligence in the provision of health care. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

[Signature Page Follows]

You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement dated \_\_\_\_\_, 20\_\_\_\_.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

**THE UNITED METHODIST  
RETIREMENT HOMES,  
INCORPORATED  
d/b/a Cypress Glen Retirement  
Community**

\_\_\_\_\_  
RESIDENT

By \_\_\_\_\_  
Executive Director

\_\_\_\_\_  
Witness

Date: \_\_\_\_\_

\_\_\_\_\_  
RESIDENT

By \_\_\_\_\_  
Authorized Agent of UMRH

\_\_\_\_\_  
Witness

Date: \_\_\_\_\_

Attachment: Exhibit A

CG 50 Percent Return of Capital Residency  
Agreement (2018.02.05) CLEAN.docx

**Exhibit A**

<b>Options and Custom Features Added at Resident's Request:</b>	<b>Amount</b>
	\$
	\$
	\$
	\$
	\$
	\$
<b>Total</b>	\$

**Initials** \_\_\_\_\_  
**Community**

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

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

WBD(US) 41242208v3



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## **80 Percent Return of Capital™ Residency Agreement**

02/05/2018



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Exhibit A – Options and Custom Features Added at Resident's Request



## GLOSSARY

The following terms are described as used in the accompanying Residency Agreement. Reference to the Residency Agreement and the context in which the terms are used is recommended to provide a fuller understanding of each of the terms:

**"Agreement"** means the Residency Agreement, entered into between the Resident and The United Methodist Retirement Homes, Incorporated, which outlines the contractual obligations of both parties.

**"Community"** means the continuing care retirement community known as "Cypress Glen Retirement Community," including all of the residences, common areas, and site amenities.

**"Entrance Fee"** means payment that assures a resident a place at the Community for life as long as the resident complies with terms of this Agreement. At the time the resident makes application for residency at the Community, the resident will sign a Residency Agreement to reserve the residence selected and will pay an Entrance Fee deposit to the Community. The balance of the Entrance Fee will be paid on the earlier of (i) occupancy or (ii) 90 days after the Residency Agreement is executed. Specific information is located in Paragraph 1.2 of this Agreement.

**"Extra Charges"** means the additional fees required to be paid for the additional services and amenities requested by Resident, as set forth in Paragraph 2.2 of this Agreement.

**"Health Center"** means the portion of the Community, which is licensed to provide three levels of care: assisted living care, memory care, and nursing care, as described in Section 4 of the Agreement.

**"Monthly Fee"** means that fee payable each month by the Resident as set forth in

Paragraphs 1.3 and 1.4 of the Agreement, in consideration for the services and amenities provided to the residents of the Community described in Paragraph 2.1 of this Agreement. If there are Joint Residents under this Agreement, the Monthly Fee will include a "Second Person Monthly Fee."

**"Residence"** means the apartment or cottage at the Community identified in the introductory paragraph of the Agreement, in which the Resident has the right to live pursuant to this Agreement in exchange for paying the Entrance Fee and the Monthly Fee.

**"Resident" or "you"** means the Resident(s) who sign this Agreement. Sometimes a second resident (if there are two of you) is referred to in this Agreement as the "Joint Resident." Further, both Residents may be referred to as "Joint Residents." Unless otherwise indicated, "you" refers to both of you if there are two of you.

**"Responsible Party"** refers to that person who may act on resident's behalf, including signing this Agreement.

**"The United Methodist Retirement Homes, Incorporated" or "we" or "our" or "us"** means the owner of the retirement community known as Cypress Glen Retirement Community, including all of the residences, common areas, and site amenities associated with these areas. The United Methodist Retirement Homes, Incorporated is a North Carolina non-profit corporation.



## Residency Agreement 80 Percent Return of Capital™

### INTRODUCTION

This 80 Percent Return of Capital™ Residency Agreement ("Agreement") is entered into by The United Methodist Retirement Homes, Incorporated ("UMRH," "we," "us," or "our") and \_\_\_\_\_ (individually or collectively, "you," "your," or "Resident"). Cypress Glen Retirement Community is a continuing care retirement community located at 100 Hickory Street; Greenville, NC 27858 ("Cypress Glen" or "Community").

We will provide residential housing for seniors along with a wide array of personal services and amenities outlined in this Agreement. Subject to the conditions contained in this Agreement, we agree to make available to you the Residence described as follows:

Residence Number \_\_\_\_\_  
Residence Style \_\_\_\_\_

You may select certain options and custom features in the Residence at an additional charge, which shall not be subject to any refund provision herein. Any such options and custom features selected and paid for by you will become our property. Such options and custom features must be approved by the Executive Director of the Community prior to adding them to the Residence. The Executive Director of the Community has consented to your request to add the options and custom features set forth on Exhibit A attached to this Agreement. You agree to pay the amount(s) set forth on Exhibit A to cover the charges for such items.

As a Resident of the Community, you are offered lifetime use of your Residence and lifetime access to the Community Health Center, subject to the terms and conditions of this Agreement.

To be accepted for residency, you must meet our residency criteria, which includes: having reached the age of 62 (or sharing your Residence with a Joint Resident who is 62 or older); financial guidelines; and the ability to live in a residence (with or without reasonable accommodation and/or reasonable modification) – all as outlined in our current residency policy.

The purpose of this Agreement is to set forth your rights and duties as a Resident of the Community and to delineate the services to be provided at the Community.

**1. CHARGES FOR RESIDENCE AND PRIMARY SERVICES.**

**1.1 Application Fee.** Prior to or upon your execution of this Agreement, you will pay to us a non-refundable Application Fee of \$\_\_\_\_\_. The Application Fee will be used by us to process your application for residency.

**1.2 Entrance Fee.** In order to reside at the Community for life, subject to this Agreement, and to receive the services and amenities described below, you agree to pay to us (in addition to the Monthly Fee described below) an Entrance Fee in the amount of \$\_\_\_\_\_ (includes first and second person, if applicable). The total amount of the Entrance Fee shall be payable as follows:

**1.2.1** Ten percent (10%) of the total Entrance Fee is \$\_\_\_\_\_, less any previously paid Future Resident Fee (\$\_\_\_\_\_), equals \$\_\_\_\_\_, which amount is due and payable upon your execution of this Agreement.

**1.2.2** The balance of \$\_\_\_\_\_ of the Entrance Fee shall be paid on the date you assume occupancy at the Community or within ninety (90) days from the date this Agreement is executed by you, whichever is earlier.

**1.3 Monthly Fee.** You are obligated to begin paying a Monthly Fee (or a pro rata portion thereof) on the date you assume occupancy at the Community or within ninety (90) days from the date this Agreement is executed by you, whichever is earlier. Thereafter, the Monthly Fee is due upon receipt of a statement from us and by no later than the fifteenth (15<sup>th</sup>) of each month. The Monthly Fee is initially set at a specific amount that can be increased as described in Paragraph 1.6 below. A

"Second Person Monthly Fee" shall become part of the Monthly Fee and shall be paid if two persons are Joint Residents under this Agreement. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component.

**1.4 Initial Monthly Fee.** The initial Monthly Fee payable by you is \$\_\_\_\_\_ per month and an additional \$\_\_\_\_\_ per month as a Second Person Monthly Fee component of the Monthly Fee if two persons reside as Joint Residents pursuant to this Agreement.

**1.5 Continuance of Monthly Fee.** Payment of the Monthly Fee will continue as follows:

**1.5.1** In the event of your death (in the case of Joint Residents, the death of the surviving Resident), until your estate removes all of your personal property from the Residence and from any storage unit.

**1.5.2** In the event of your permanent relocation to Health Center Level Services or Comparable Facility for Health Center Level Services (see definitions in Paragraphs 4.1 and 4.2), or to another care facility licensed to provide the appropriate care you need, until you or your personal representative removes all of your personal property from the Residence and from any storage unit.

**1.5.3** In the event of cancellation of this Agreement as outlined in Section 7 or 8, until expiration of the cancellation period and continues until you remove all of

your personal property from the Residence and from any storage unit.

**1.6 Increase in Monthly Fee.**

The Monthly Fee is paid to us to provide the services and amenities described in this Agreement and is intended to meet the expenses associated with the operation of the Community. We may increase the Monthly Fee (which includes the Second Person Monthly Fee where applicable) upon thirty (30) days' written notice if we, in our sole discretion, deem it necessary to meet the financial needs of the Community or to provide quality services to the Residents.

**1.7 Reduction in Monthly Fee Due to Absence.** Upon the request of the Resident, the Community will provide a reduction in the Monthly Fee when a Resident is absent from the Community, equal to the raw food costs determined through the Community's budgeting process, outlined as follows:

- Two (2) Meals a Day Plan: Must be absent from the Community for more than forty-five (45) consecutive days to qualify for the reduction. The reduction begins on day 46.
- Twenty-Five (25) Meals a Month Plan: Must be absent from the Community for more than ninety (90) consecutive days to qualify for the reduction. The reduction begins on day 91.

**1.8 Reserve Funds.** The amount of the Monthly Fee also is and will continue to be affected by our policy of maintaining reserve funds for the financial security of the Community.

**1.9 Late Payment Charge.** We will charge a late payment charge in the amount of twenty-five dollars (\$25.00) if the Monthly Fees or any Extra Charges are not paid by the fifteenth (15<sup>th</sup>) day of the month.

Balances over thirty (30) days old will be assessed a one percent (1%) interest charge per month. If we hire a collection agency or attorney to collect the Monthly Fee and Extra Charges past due from you, you are to pay any and all costs of collection, including reasonable attorney's fees, costs, and expenses associated with such collection efforts.

**2. DESCRIPTION OF PRIMARY AND SUPPLEMENTAL SERVICES.**

**2.1 Services Provided for the Monthly Fee.** We will provide you, in consideration for the Monthly Fee referred to above, the following services and amenities at the Community:

- Dining allowance equal to two (2) meals per day for residents of A and B wings; three (3) meals per day for residents of the C wing; and twenty-five (25) meals per month for residents of the D wing, East wing, West wing, and cottages;
- Limited meal delivery to be provided when approved by authorized staff;
- Consultation and preparation of routine special diets;
- Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;
- Standard television cable system;
- Building janitor and maintenance;
- Grounds keeping;
- Weekly housekeeping services;
- Laundry facilities for residents in the A, B and C wings; washers and dryers provided in the D wing, East wing, West wing and cottages;
- Planned activities (social, cultural, recreational, educational, and spiritual) for those who wish to participate;
- Services of a chaplain;

- Services of a life enrichment director;
- Parking for residents and guests;
- Carpeting (except in kitchen and bath), unless some other floor surface has been installed;
- Kitchen facilities;
- Scheduled local transportation as published by us, including transportation to local medical facilities (non-emergency);
- Limited additional storage space for A, B, C, D, East and West wing apartments;
- Emergency call system, with 24-hour check-in;
- Smoke detectors;
- Security – 24 hours a day; and
- Six (6) days each year of assisted living, memory care or nursing care in the Community Health Center as outlined in Paragraph 4.4.

**2.2 Supplemental Services Provided for Extra Charge.** Supplemental services, when available, will be provided at Extra Charge and are described below. A list of Extra Charges for these supplemental services can be obtained from administration.

- Extra meals, depending upon a resident's dining allowance;
- Extended meal delivery as approved by authorized staff;
- Preparation of special diets (beyond those which are routine), as prescribed by your attending physician;
- Additional housekeeping services;
- Guest accommodations, if available;
- Guest meals;
- Personal transportation and transportation for special events and group trips;
- Community Health Center services as outlined in Section 4 (including

assisted living, memory care, nursing care, and the services of the Clinic);

- Wireless Internet; and
- Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, etc.) as outlined in Paragraph 4.10.

### **3. TERMS OF RESIDENCY.**

**3.1 Use of the Residence.** The Residence is for living only and will not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions. This Agreement is not a lease, and grants you only the right to live in the Residence, access to other facilities of the Community, and to available services and amenities, subject to the terms and conditions of this Agreement.

**3.2 Duration of Your Right to Occupy the Residence.** You may reside in your Residence for as long as you (or either of you in the case of Joint Residents) live unless you (both of you in the case of Joint Residents) are not capable of occupancy as set forth in our residency policy, or this Agreement is canceled by you or by us. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that you need assisted living services, memory care services, or nursing care services, you will be requested to relocate to the Community Health Center or Comparable Facility (as defined in Paragraph 4.2).

**3.3 Occupants of the Residence.** Except as hereinafter provided, no person other than you (both of you in the case of Joint Residents) may occupy the Residence. In the event that a second person who is not a party to this Agreement is accepted for residency in the Residence after the date we

sign this Agreement (said acceptance to be in accordance with our current residency policy), an Entrance Fee in an amount to be determined by us (which will be no more than one-half of the then-current Entrance Fee for the Residence) shall be paid upon residency, and each month thereafter, the then-current Second Person Monthly Fee shall be paid as part of the Monthly Fee. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than thirty (30) days, except with our express written approval.

If the Resident marries a person who is also a resident of the Community, and should they decide to occupy one residence as Joint Residents, they must declare which residence will be occupied and which residence will be released. The refund due for the released residence, if any, will be provided as described in Paragraph 9.5 of this Agreement.

**3.4 Guests.** Guests are welcome to stay in your Residence for short stays not to exceed ten (10) consecutive days. Such stay shall not, in the opinion of the Executive Director, adversely affect the operation of the Community or be inconsistent with the welfare of our residents.

**3.5 Release.** We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from such liability.

**3.6 Insurance.** Our insurance does not cover your personal property or your liability. It is recommended that you carry personal property insurance and liability insurance at your own expense to cover against any loss or damage to your personal

property or to the property of others caused by your negligence or that of your guests. If requested by us, you agree to provide us with proof of such insurance coverage.

### **3.7 Removal and Storage of Resident's Personal Property.**

**3.7.1** Within thirty (30) days following the date of your death (the death of the surviving Resident in the case of Joint Residents). If your personal property is not removed from the Residence and from any storage unit within such thirty (30) days, we will continue to charge your estate the Monthly Fee as outlined in Paragraph 1.5.1 above, or we may remove and store such personal property at the expense and risk of your estate. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated. We will only allow the executor(s) named in your Will to remove or dispose of your personal property in your living accommodation and any related storage unit at the Community. Members of your family or those to whom you have granted power of attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

**3.7.2** Within thirty (30) days following the date notice is delivered to you of your permanent relocation to the Community Health Center or Comparable Facility for Health Center Level Services (see definitions in Paragraphs 4.1 and 4.2), or to another care facility licensed to provide the appropriate care you need. If your personal property is not removed from your

Residence and from any storage unit within such thirty (30) days, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.2 above, or we may remove and store such personal property at your expense and risk.

**3.7.3** At the end of the cancellation period outlined in Section 7 or 8. If your personal property is not removed from your Residence and from any storage unit by the end of the cancellation period, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.3 above, or we may remove and store such personal property at your expense and risk. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated.

**3.8 Furnishings.** Furnishings within the Residence will not be provided by us except as stated in Paragraph 2.1. Furnishings provided by you shall not be such as to interfere with your health, safety or general welfare, or that of other residents or others.

**3.9 Emergency Entry and Relocation.** We may enter your Residence should it be necessary in an emergency to protect your health or safety or the health or safety of other residents. If relocation is recommended by the Medical Director or your attending physician, we will request that you relocate to another residence within the Community, or to the Community Health Center or a Comparable Facility (as defined in Paragraph 4.2), or to a hospital or other health care facility for the protection of your health or safety or for the health or safety of the other residents of the Community.

**3.10 Alterations by You.** You may not undertake any alterations to your Residence without our prior written approval. Said alterations will be set forth in a separate addendum to this Agreement, signed by you and us.

**3.11 Condition of Residence.** Upon vacating the Residence, you agree to leave it in good and clean condition. You shall be liable to us for any charges incurred to restore your Residence to good and clean condition, except for normal wear and tear.

**3.12 Rights of Second Single Resident.** When two Joint Residents reside in a single Residence under this Agreement, upon the death or permanent relocation of one Resident to a different level of care at the Community, or other inability of that Resident to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the terms of this Agreement and shall pay the Monthly Fee.

**3.13 Smoke-Free Community.** The Community is a smoke-free community, pursuant to its Smoke-Free Community Policy (a copy of which is available upon request), wherein the campus and buildings have been designated as "smoke free". Smoking (including E-Cigarettes) is not allowed by residents, guests, staff, and business invitees in any part of the Community (except in designated outdoor areas), including, but not limited to, the residences, the Community Health Center (including the assisted living facility, memory care unit, and the nursing facility), hallways, dining rooms, public restrooms, lounge areas, reception areas, waiting rooms, courtyards, entrances, walking paths, driveways, and any other common areas of the Community. Outside designated smoking areas will be posted. Violation of the Smoke-Free Community Policy can result in our

cancellation of this Agreement for just cause as outlined in Paragraph 8.1 hereof.

**3.14 Firearms Policy.** The Community has adopted a policy governing the possession of firearms at the Community. Firearms need to be registered with the Community and properly secured. In the event that you are unable to safely maintain a firearm, we will contact your designated power of attorney, legal representative or family member to remove any firearms from your Residence.

#### **4. THE COMMUNITY HEALTH CENTER.**

**4.1 Description.** The Community Health Center is the portion of the Community which is licensed to provide three levels of care: assisted living care, memory care, and nursing care (collectively "Health Center Level Services"). The Community Health Center is staffed by licensed nursing personnel 24 hours a day.

**4.2 Alternate Accommodations.** You will be given priority over non-residents for admission to the Community Health Center. In the event the Community Health Center is fully occupied when you are determined to need such care, you agree to relocate to an alternate health care facility that provides services similar to the Community Health Center or to another care facility licensed to provide the appropriate care you need (a "Comparable Facility") until an appropriate space becomes available for you at the Community. We will not be responsible for the charges associated with the Comparable Facility. Upon your relocation to a Comparable Facility, you shall continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

**4.3 Clinic.** The Clinic is available for certain examinations,

consultations, tests and appointments. Such services will be at an Extra Charge to you.

**4.4 Six (6) Days of Assisted Living, Memory Care or Nursing Care.** You are eligible to receive a total of six (6) days each year of either assisted living care, memory care or nursing care in the Community Health Center while you are a resident of your Residence. In the case of Joint Residents, each of you will receive six (6) days, but the days cannot be combined and used by only one of you. Such six (6) days renews on an annual basis and does not accumulate. You are required to pay the charges for physician services and any additional health services as outlined in Paragraph 4.10. Once you are permanently assigned to assisted living, memory care or nursing care in the Community Health Center or Comparable Facility, you no longer qualify for the six (6) free days of assisted living, memory care or nursing care and will be required to pay the per diem charge for such care. **[NOTE: The six (6) days of care is a combined annual total for assisted living, memory care and nursing care at the Community.]**

**4.5 Transfer to Health Center Level Services.** In the event your physical or mental health is determined by us to be appropriate for Health Center Level Services, you agree to relocate to the Community Health Center or a Comparable Facility. Such a determination will be made by us after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

**4.6 Temporary Relocation to the Community Health Center.** In the event you require temporary care in the Community Health Center (beyond the six (6) days of care as outlined in Paragraph 4.4, if applicable), you will pay the per diem



charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 4.10. In addition, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above.

**4.7 Permanent Relocation to Health Center Level Services.** In the event you require permanent care in the Community Health Center (beyond the six (6) days of care as outlined in Paragraph 4.4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 4.10. If you are determined appropriate for Health Center Level Services, and are permanently relocated to the Community Health Center or a Comparable Facility, you will be required to release your Residence to us, and remove all of your personal property from the Residence and from any storage unit as outlined in Paragraph 3.7.2. We shall have the right to reassign the Residence for occupancy by others except as provided in Paragraph 3.12. Release of the Residence due to your permanent relocation to the Community Health Center or to a Comparable Facility does not qualify you for a refund of the Entrance Fee, unless this Agreement is canceled. Subject to the terms and conditions of this Agreement, you will continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

**4.8 Relocation within the Community Health Center.** We reserve the right to relocate you to a different level of care within the Community Health Center if you require such care. Such relocation will be made after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal

representative, and you to the extent possible.

**4.9 Return to Residence.** If we subsequently determine, in consultation with your attending physician, your personal representative and you to the extent possible, that you can resume occupancy in a residence equivalent to the residence you previously occupied, you shall have the right to relocate to such equivalent residence as soon as one is available. Upon reoccupying a residence, your Monthly Fee will be based on the then-current Monthly Fee for the residence.

**4.10 Medical Director, Attending Physician, and Additional Health Services.** We have designated a licensed physician to serve as Medical Director of the Community Health Center. You are required to have a local attending physician. You may engage the services of the Medical Director at your own expense. If your personal physician will be providing you with services in the Community Health Center, he/she may do so upon providing us with his/her credentials and with proof of liability insurance, and he/she agrees to abide by our policies and procedures. We will not be responsible for the charges for medical treatment or services by the Medical Director or your attending physician, nor will we be responsible for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

**4.11 Advanced Payment for Medical Treatment.** In the event we incur or advance payment for your medical treatment or for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment (even in the event such medical care is given at the direction of your attending physician or the

Medical Director without your prior approval), you shall promptly reimburse us for such payments. Upon cancellation of this Agreement for any reason, any amounts due to us under this Paragraph 4.11 shall be offset against any refund of the Entrance Fee.

**4.12 Medicare and Health Insurance.** The Community Health Center has received Medicare certification on six (6) of its nursing beds. When eligible, you are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility. You shall furnish to us such evidence of coverage as we may from time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in the Community Health Center or a Comparable Facility. If you are eligible to receive the six (6) days of nursing care in the Community Health Center as provided in Paragraph 4.4 and your stay in the Community Health Center is a Medicare-qualified stay, such six (6) days will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B and acceptable supplemental health insurance or equivalent insurance coverage.

If you are not eligible for Medicare, you shall maintain health insurance coverage acceptable to us and shall furnish us with evidence of such coverage upon our request. Should your health insurance not fully cover your stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each admission and stay in the Community Health Center or a Comparable Facility.

If failure to maintain Medicare Part A, Medicare Part B, supplemental health insurance or other health insurance coverage causes depletion of your resources and impairs your ability to meet your financial obligations, we need not defer your financial obligations to us as outlined in Paragraph 6.1, and we retain the right to cancel the Residency Agreement as provided in Section 8.

**4.13 Managed Care.** If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:

**4.13.1 Participating Provider.** If the Community Health Center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, the Community agrees to be reimbursed at the rate negotiated with your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with

Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 4.10.

**4.13.2 Not a Participating Provider.** If the Community Health Center is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all charges for health care services. In addition, while receiving health care services at the managed care participating provider, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above. Such a stay at a managed care participating provider will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable.

**4.13.3 Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we will attempt to negotiate a reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. You will continue to pay

the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 4.10.

**4.13.4 No Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive nursing care in the Community Health Center during a Medicare-qualified stay, then each day of your stay in the Community Health Center will reduce by one day the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. During any such Medicare-qualified stay in the Community Health Center, you agree that you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above and any charges for physician services and any additional health services as outlined in Paragraph 4.10. If at any time during any such Medicare-qualified stay in the Community Health Center you are no longer eligible to receive any of the days of care provided for in Paragraph 4.4, then you agree to pay the per diem charge for your care in the Community Health Center, the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, and any charges for physician services and any additional health services as outlined in Paragraph 4.10.

**4.13.5 Post Medicare-Qualified Stay.** At the conclusion of each such Medicare-qualified

stay, you will be entitled to care in the Community Health Center in accordance with the terms of this Agreement other than as provided in this Paragraph 4.13, as adjusted to reflect any reduction during such stay in the number of days of care that you are eligible to receive without additional charge as provided in Paragraph 4.4, as applicable.

**4.14 Long-Term Care Insurance.** We will use reasonable efforts to assist you in working with your long-term care insurance provider to obtain the benefits to which you may be entitled.

**4.15 Transfer to Hospital or Other Care Facility.** If we determine after consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond that which the Community Health Center is licensed to provide, you will be transferred to a hospital or other care facility. Our staff will not accompany you to the hospital or other facility. We shall not be responsible for any charges associated with the transfer and health care expenses or charges incurred by you after such a transfer. You shall continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5 above.

**4.16 Community Health Center Admission Agreement.** If you require care in the Community Health Center, you agree to enter into a separate admission agreement for the appropriate level of care, which will be signed by you and us.

**4.17 Under Age 62.** If you are under the age of 62 when you occupy your Residence under this Agreement, you are not eligible to receive the six (6) days of care in the Community Health Center as described in Paragraph 4.4 until you attain

the age of 62. During this time, you will be entitled to Health Center Level Services at the then-current per diem charge being charged to nonresidents until age 62.

## **5. REPRESENTATIONS.**

**5.1 Our Representations.** We represent and warrant that we are a nonprofit corporation. We are exempt from payment of Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. We are affiliated with the North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction. The North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction is not responsible for our financial or contractual obligations.

**5.2 Your Representations.** You represent and warrant that the representations made in the application for residency, your personal health history, and the confidential financial statement are true and correct and may be relied upon by us as a basis for your acceptance for residency at the Community. You also represent and warrant that you have not made any gift of your property in contemplation of the execution of this Agreement.

## **6. PROMISES.**

**6.1 Our Promises.** It is and shall be our declared policy to operate as a nonprofit organization. We will not cancel this Agreement without just cause as specified in Section 8. Further, we shall not cancel this Agreement solely by reason of your financial inability to pay the full Monthly Fee or the per diem charge for care in the Community Health Center, provided you have met all "spend-down" provisions of eligibility for the Medicaid program and any public assistance funds. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder

by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. You shall be permitted to remain at the Community for a reduced fee based on your ability to pay for as long as you establish facts to justify deferment of such charges and when deferment of such charges can, in our sole discretion, be granted without impairing our ability to operate the Community on a sound financial basis for the benefit of all residents.

**6.2 Your Promises.** You agree to comply with all policies and procedures of the Community as now existing or as hereafter amended; to pay the Entrance Fee, Monthly Fee, and any other charges as provided in this Agreement; to not impair your ability to meet the financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance, without our consent; to apply for public assistance funds (if available) and/or Medicaid (if the Community Health Center becomes Medicaid certified) if you should need financial assistance as outlined in Paragraph 6.1 above while receiving Health Center Level Services; and to abide by all other terms of this Agreement.

## **7. CANCELLATION BY RESIDENT.**

**7.1 Right of Rescission.** Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. However, if you occupy the

Residence during the rescission period and then rescind this Agreement, you will only be charged a Monthly Fee for the period of time that you actually occupied the Residence. Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 9.2.

**7.2 Cancellation Prior to Occupancy.** You may cancel this Agreement for any reason at any time before you move into the Community by giving us written notice signed by you (both of you in the case of Joint Residents). Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 9.3 or 9.4. If you die prior to occupying the Residence or if, on account of illness, injury or incapacity, you are precluded from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel upon our receipt of notice of your death, illness, injury or incapacity. If you elect to cancel this Agreement because of a substantial change in your physical, mental, or financial condition prior to occupancy, then this Agreement will cancel upon written notice from you. Refund of the Entrance Fee shall be as outlined in Paragraph 9.3.

**7.3 Cancellation After Occupancy.** You may cancel this Agreement for any reason after moving into the Community by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must remove your personal property from the Residence and from any storage unit within said thirty (30) day notice period as outlined in Paragraph 3.7.3. You are obligated to pay the Monthly Fee during the thirty (30) days, and thereafter if the Residence has not been released to us in accordance with Paragraph 1.5.3 above. Refund of the Entrance Fee shall be as outlined in Paragraph 9.5.

**7.4 Cancellation Due to Death After Occupancy.** This Agreement will automatically cancel upon your death (unless you have a surviving Joint Resident). Your estate must remove your personal property from the Residence and from any storage unit within thirty (30) days after your death as outlined in Paragraph 3.7.1. Your estate will be obligated to pay the Monthly Fee as outlined in Paragraph 1.5.1 above. Refund of the Entrance Fee shall be as outlined in Paragraph 9.5.

## **8. CANCELLATION BY UMRH.**

**8.1 Cancellation Upon Notice.** We may, upon notice and opportunity to cure as hereinafter provided, cancel this Agreement for just cause. Just cause shall include the occurrence of any of the following events (hereinafter referred to as a "Default"):

### **8.1.1 Noncompliance.**

You do not comply with the terms of this Agreement or the published operating procedures, covenants, rules, regulations, and policies now existing or later amended by us.

### **8.1.2 Misrepresentation.**

You misrepresent yourself or fail to disclose information during the residency process.

**8.1.3 Nonpayment.** You fail to pay any charges to us, subject to the provisions of Paragraph 6.1, within forty-five (45) days of the date when such charges are due.

**8.1.4 Threat to Health or Safety.** Your health status or behavior constitutes a substantial threat to the health, safety or peace of yourself, other residents, or others including your refusal to consent to

relocation, or behavior that would result in physical damage to the property of the Community or others.

**8.1.5 Change in Condition.** There is a major change in your physical or mental condition and your condition cannot be cared for in the Community Health Center within the limits of our license.

**8.2 Default Notice.** Prior to cancellation for any Default described in Paragraph 8.1.1, 8.1.2 or 8.1.3 above, we shall give you notice in writing of such Default, and you shall have at least thirty (30) days thereafter within which to correct such Default. No Default shall eliminate your obligation to pay the Monthly Fee. If you correct such Default within such time, this Agreement shall not be canceled. If you fail to correct such Default within such time, this Agreement shall cancel at the expiration of such thirty (30) days.

In the event of the occurrence of a Default described in Paragraph 8.1.4 or 8.1.5 above, if we or the Medical Director determines that either the giving of notice of Default or the lapse of time as above provided might be detrimental to you or others, then such notice and/or waiting period prior to cancellation shall not be required. Also, in the event of the occurrence of a Default described in Paragraph 8.1.4 or 8.1.5, we are expressly authorized by you to transfer you to an appropriate hospital or other facility, and we will promptly notify your personal representative or attending physician.

## **9. REFUND OF ENTRANCE FEE.**

**9.1 Nonacceptance by Us.** If we do not accept you for residency at the Community, the full amount of the Entrance Fee you have paid will be promptly refunded to you, without interest.

**9.2 Right of Rescission.** If you rescind this Agreement as provided in Paragraph 7.1, you shall receive a full refund of the portion of the Entrance Fee paid by you, without interest, within sixty (60) days of our receipt of the written notice of rescission.

**9.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, or Incapacity.** If, prior to occupancy and after your right of rescission period has expired, you die or you cancel this Agreement because of illness, injury or incapacity, you or your estate will receive a refund of the portion of the Entrance Fee you have paid, without interest, less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days following (i) the date of automatic cancellation of this Agreement; or (ii) the date of our receipt of your written notice of cancellation.

**9.4 Cancellation Prior to Occupancy for Other Reasons.** If you cancel this Agreement for reasons other than those stated in Paragraphs 9.2 or 9.3 above, you shall receive a refund of the Entrance Fee paid, less a non-refundable portion of the Entrance Fee equal to Two Thousand Dollars (\$2,000) and less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

**9.5 Cancellation After Occupancy.** In the event you or we cancel this Agreement after occupancy or in the event of your death (the death of the survivor in the case of Joint Residents), you or your estate will be reimbursed the amount of the Entrance Fee previously paid by you, less

two percent (2%) for each month of residency or portion thereof, for up to ten (10) months. Subject to our offset rights outlined in Paragraph 9.6, the refund of the Entrance Fee will not be less than eighty percent (80%). Said refund will be paid, without interest, at such time as a new resident has paid the full amount of the Entrance Fee for your Residence or within two (2) years from the date of cancellation, whichever occurs first.

**9.6 Offset Against Entrance Fee Refund.** In the event of cancellation of this Agreement as described in Paragraph 9.5 above, we will offset against any Entrance Fee refund due to you or your estate the following:

**9.6.1** The amount of any unpaid Monthly Fees, prorated Monthly Fees for the period of time the Residence was occupied (which shall include the period of time until you or your personal representative removes all of your personal property from the Residence and from any storage unit) after cancellation of this Agreement, any Extra Charges, or other charges deferred by us on your behalf under Paragraph 6.1; and

**9.6.2** Any health care expenses incurred on your behalf and other amounts payable to us, which remain unreimbursed; and

**9.6.3** Any charges incurred to restore the Residence to good condition, normal wear and tear excepted, as outlined in Paragraph 3.11; and

**9.6.4** Any charges incurred as a result of options and custom features added to the Residence at your request as outlined in Exhibit A

or in a separate addendum to this Agreement.

## **10. MISCELLANEOUS.**

**10.1 Nature of Rights.** You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 9; (ii) this Agreement and your contractual right to occupy the Community will exist and continue to exist during your lifetime unless canceled as provided herein; (iii) this Agreement grants you the right to occupy and use space in the Community but does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement grants to us complete decision-making authority regarding the management and operation of the Community.

**10.2 Release.** We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from any such liability. You may want to obtain at your own expense insurance to protect against such losses.

**10.3 Amendment.** This Agreement may be amended by agreement of the parties to this Agreement. No amendment of this Agreement shall be valid unless in writing and signed by you and us.

**10.4 Law Changes.** This Agreement may be modified by us at any time in order to comply with applicable laws or regulations. Further, we may change any part of the Community, including the Residence, to meet the requirements of any applicable law or regulation.

**10.5 Entire Agreement.** This Agreement and any addenda or amendments thereto contain our entire understanding with respect to your residency at the Community.

**10.6 Monthly Statement.** You shall receive a monthly statement from us showing the total amount of fees and other charges owed by you, which shall be paid upon receipt and by no later than the fifteenth (15<sup>th</sup>) day of each month.

**10.7 Responsible Party for Business and Financial Decision Making.** Prior to assuming residency at the Community, you agree to execute and deliver to us a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Community.

**10.8 Disposition of Furniture, Possessions, and Property.** You agree to make provision by Will or otherwise for the disposition of all of your furniture, property, and possessions located on the premises of the Community within sixty (60) days after the date of residency.



**10.9 Nonwaiver.** If we fail to insist in any instance upon performance of any of the terms, promises, or conditions of this Agreement, it shall not be construed as a waiver or relinquishment of the future performance of any such terms, promises, or conditions, but your obligation with respect to such future performances shall continue in full force and effect.

**10.10 Notices.** Any notice required to be given to us under this Agreement shall be in writing and sent certified mail, return receipt requested, with all postage and charges prepaid, or hand-delivered to the Executive Director of the Community at 100 Hickory Street; Greenville, North Carolina 27858. Such notices shall be dated and signed.

Any notice required to be given to you shall be delivered to you at the Community or at such other place as you shall designate to us in writing and sent by certified mail or hand delivered. All notices mailed in accordance with this Paragraph shall be deemed to be given when mailed whether or not they are actually received.

**10.11 Indemnity.** We will not be liable for and you agree to indemnify, defend and hold us harmless from claims, damages and expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to, or in any way connected with your negligent or intentional act or omission or that of your guests.

**10.12 Severability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

**10.13 Subordination.** You agree that all your rights under this Agreement will always be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Community, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender(s) such further written evidence of such subordination as such lender(s) may reasonably require. Except to the extent of your obligation to pay the Monthly Fee and Second Person Monthly Fee, you shall not be liable for any such indebtedness.

**10.14 Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. This Agreement will become effective upon acceptance and signature by us.

**10.15 Resident.** In the case of Joint Residents, the rights and obligations of each are joint and several, except as the context of this Agreement otherwise requires.

**10.16 Reimbursement for Loss or Damage.** You or your responsible party, if applicable, agree to reimburse us for any loss or damage to the Community caused by your intentional, careless, or negligent acts or omissions or that of your guests.

**10.17 Charges for Collection.** You agree to reimburse us for any charges we incur to collect any unpaid amounts you or estate owes to us under this Agreement.

**10.18 Sale or Transfers of Interest.** We may sell or transfer our interest in the Community provided the buyer will agree to assume this Agreement and all other existing Residency Agreements. Upon the assumption of this Agreement by a buyer of the Community

and its agreement to perform this Agreement and all other agreements, we will have no further obligation hereunder. Your signature hereto constitutes your consent and approval of any such future transaction.

**10.19 Private Employee of Resident.** If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency (personal service provider). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home health agency. In any event, you must comply with our policy regarding personal service providers, and ensure that your private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct set forth in our policy. If you fail to follow or enforce the policies and rules set forth therein, then we may elect, in our sole option, to cancel this Agreement.

**10.20 Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement as more fully explained in our Disclosure Statement.

**10.21 Management.** We have engaged the services of Life Care Services LLC ("LCS") to manage Cypress Glen. We are not affiliated with LCS nor is LCS responsible for our contractual or financial obligations or the contractual or financial obligations of Cypress Glen.

**10.22 Governing Law.** This Agreement will be governed, interpreted and construed according to the laws of the State of North Carolina.

**10.23 Survival of Representations and Obligations.** Your representations and obligations under this Agreement, including but not limited to, your obligation to pay all

sums owed by you to us, and your agreement to indemnify us as set forth in Paragraph 10.11, and our representations and obligations under this Agreement, will survive any cancellation of your residency in the Community, regardless of the reason for such cancellation and regardless of whether it is initiated by you or by us.

## **11. MEDIATION AND ARBITRATION.**

**11.1 Mediation.** In the event a dispute, claim or controversy of any kind arises between the parties – except for those disputes, claims or controversies arising under Paragraph 11.3 below – that cannot be resolved by mutual agreement, the parties agree to submit such dispute, claim or controversy to a neutral mediator for possible resolution. The parties will jointly agree on a neutral mediator. Each party shall submit all evidence or information in writing to the mediator in support of its contentions or allegations and any defense either party may have with respect to the dispute, claim or controversy. Each party shall have the right to a hearing before the mediator and to personally present information pertinent to such dispute, claim or controversy. The mediator shall assist each party, in an unbiased manner, in reaching an amicable agreement regarding the dispute, claim or controversy. If an amicable agreement is not reached, or if either party fails or refuses to negotiate or mediate in good faith to resolve the matter, or if a neutral mediator cannot be agreed upon between the parties, then the parties agree to submit such dispute, claim or controversy to an arbitration process as outlined below.

**11.2 Arbitration.** In the event a dispute, claim or controversy of any kind arising out of or relating to this Agreement – except for those disputes, claims or controversies arising under Paragraph 11.3

below – cannot be resolved through mediation as described in Paragraph 11.1 above, the parties agree that said dispute, claim, or controversy will be submitted to and determined by arbitration in Pitt County, North Carolina in accordance with the Federal Arbitration Act. You and we will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in state law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all residents of the Community provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue affects more than one (1) resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us. This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

**11.3 Voluntary Arbitration of Negligent Health Care Claims.** For all claims for damages in personal injury or wrongful death actions, based on alleged negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the

North Carolina General Statutes. N.C. G.S. §90-21.60(b) prohibits any contract from requiring prior agreement of the parties to arbitrate negligent health care claims. Thus, Paragraphs 11.1 and 11.2 do not apply to personal injury or wrongful death actions based on alleged negligence in the provision of health care. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

[Signature Page Follows]

You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement dated \_\_\_\_\_, 20\_\_\_\_.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
RESIDENT

\_\_\_\_\_  
Witness

\_\_\_\_\_  
RESIDENT

\_\_\_\_\_  
Witness

**THE UNITED METHODIST  
RETIREMENT HOMES,  
INCORPORATED  
d/b/a Cypress Glen Retirement  
Community**

By \_\_\_\_\_  
Executive Director

Date: \_\_\_\_\_

By \_\_\_\_\_  
Authorized Agent of UMRH

Date: \_\_\_\_\_

Attachment: Exhibit A



CG 80 Percent Return of Capital Residency Agreement (2018.02.05) CLEAN.docx

**Exhibit A**

<b>Options and Custom Features Added at Resident's Request:</b>	<b>Amount</b>
	\$
	\$
	\$
	\$
	\$
	\$
<b>Total</b>	\$

**Initials** \_\_\_\_\_  
**Community**

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

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

WBD(US) 41242208v3



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## **90 Percent Return of Capital™ Residency Agreement**

02/05/2018



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Exhibit A – Options and Custom Features Added at Resident's Request

## GLOSSARY

The following terms are described as used in the accompanying Residency Agreement. Reference to the Residency Agreement and the context in which the terms are used is recommended to provide a fuller understanding of each of the terms:

**"Agreement"** means the Residency Agreement, entered into between the Resident and The United Methodist Retirement Homes, Incorporated, which outlines the contractual obligations of both parties.

**"Community"** means the continuing care retirement community known as "Cypress Glen Retirement Community," including all of the residences, common areas, and site amenities.

**"Entrance Fee"** means payment that assures a resident a place at the Community for life as long as the resident complies with terms of this Agreement. At the time the resident makes application for residency at the Community, the resident will sign a Residency Agreement to reserve the residence selected and will pay an Entrance Fee deposit to the Community. The balance of the Entrance Fee will be paid on the earlier of (i) occupancy or (ii) 90 days after the Residency Agreement is executed. Specific information is located in Paragraph 1.2 of this Agreement.

**"Extra Charges"** means the additional fees required to be paid for the additional services and amenities requested by Resident, as set forth in Paragraph 2.2 of this Agreement.

**"Health Center"** means the portion of the Community, which is licensed to provide three levels of care: assisted living care, memory care, and nursing care, as described in Section 4 of the Agreement.

**"Monthly Fee"** means that fee payable each month by the Resident as set forth in

Paragraphs 1.3 and 1.4 of the Agreement, in consideration for the services and amenities provided to the residents of the Community described in Paragraph 2.1 of this Agreement. If there are Joint Residents under this Agreement, the Monthly Fee will include a "Second Person Monthly Fee."

**"Residence"** means the apartment or cottage at the Community identified in the introductory paragraph of the Agreement, in which the Resident has the right to live pursuant to this Agreement in exchange for paying the Entrance Fee and the Monthly Fee.

**"Resident" or "you"** means the Resident(s) who sign this Agreement. Sometimes a second resident (if there are two of you) is referred to in this Agreement as the "Joint Resident." Further, both Residents may be referred to as "Joint Residents." Unless otherwise indicated, "you" refers to both of you if there are two of you.

**"Responsible Party"** refers to that person who may act on resident's behalf, including signing this Agreement.

**"The United Methodist Retirement Homes, Incorporated" or "we" or "our" or "us"** means the owner of the retirement community known as Cypress Glen Retirement Community, including all of the residences, common areas, and site amenities associated with these areas. The United Methodist Retirement Homes, Incorporated is a North Carolina non-profit corporation.



## Residency Agreement 90 Percent Return of Capital™

### INTRODUCTION

This 90 Percent Return of Capital™ Residency Agreement ("Agreement") is entered into by The United Methodist Retirement Homes, Incorporated ("UMRH," "we," "us," or "our") and \_\_\_\_\_ (individually or collectively, "you," "your," or "Resident"). Cypress Glen Retirement Community is a continuing care retirement community located at 100 Hickory Street; Greenville, NC 27858 ("Cypress Glen" or "Community").

We will provide residential housing for seniors along with a wide array of personal services and amenities outlined in this Agreement. Subject to the conditions contained in this Agreement, we agree to make available to you the Residence described as follows:

Residence Number \_\_\_\_\_  
Residence Style \_\_\_\_\_

You may select certain options and custom features in the Residence at an additional charge, which shall not be subject to any refund provision herein. Any such options and custom features selected and paid for by you will become our property. Such options and custom features must be approved by the Executive Director of the Community prior to adding them to the Residence. The Executive Director of the Community has consented to your request to add the options and custom features set forth on Exhibit A attached to this Agreement. You agree to pay the amount(s) set forth on Exhibit A to cover the charges for such items.

As a Resident of the Community, you are offered lifetime use of your Residence and lifetime access to the Community Health Center, subject to the terms and conditions of this Agreement.

To be accepted for residency, you must meet our residency criteria, which includes: having reached the age of 62 (or sharing your Residence with a Joint Resident who is 62 or older); financial guidelines; and the ability to live in a residence (with or without reasonable accommodation and/or reasonable modification) – all as outlined in our current residency policy.

The purpose of this Agreement is to set forth your rights and duties as a Resident of the Community and to delineate the services to be provided at the Community.

**1. CHARGES FOR RESIDENCE AND PRIMARY SERVICES.**

**1.1 Application Fee.** Prior to or upon your execution of this Agreement, you will pay to us a non-refundable Application Fee of \$\_\_\_\_\_. The Application Fee will be used by us to process your application for residency.

**1.2 Entrance Fee.** In order to reside at the Community for life, subject to this Agreement, and to receive the services and amenities described below, you agree to pay to us (in addition to the Monthly Fee described below) an Entrance Fee in the amount of \$\_\_\_\_\_ (includes first and second person, if applicable). The total amount of the Entrance Fee shall be payable as follows:

**1.2.1** Ten percent (10%) of the total Entrance Fee is \$\_\_\_\_\_, less any previously paid Future Resident Fee (\$\_\_\_\_\_), equals \$\_\_\_\_\_, which amount is due and payable upon your execution of this Agreement.

**1.2.2** The balance of \$\_\_\_\_\_ of the Entrance Fee shall be paid on the date you assume occupancy at the Community or within ninety (90) days from the date this Agreement is executed by you, whichever is earlier.

**1.3 Monthly Fee.** You are obligated to begin paying a Monthly Fee (or a pro rata portion thereof) on the date you assume occupancy at the Community or within ninety (90) days from the date this Agreement is executed by you, whichever is earlier. Thereafter, the Monthly Fee is due upon receipt of a statement from us and by no later than the fifteenth (15<sup>th</sup>) of each month. The Monthly Fee is initially set at a specific amount that can be increased as described in Paragraph 1.6 below. A

"Second Person Monthly Fee" shall become part of the Monthly Fee and shall be paid if two persons are Joint Residents under this Agreement. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component.

**1.4 Initial Monthly Fee.** The initial Monthly Fee payable by you is \$\_\_\_\_\_ per month and an additional \$\_\_\_\_\_ per month as a Second Person Monthly Fee component of the Monthly Fee if two persons reside as Joint Residents pursuant to this Agreement.

**1.5 Continuance of Monthly Fee.** Payment of the Monthly Fee will continue as follows:

**1.5.1** In the event of your death (in the case of Joint Residents, the death of the surviving Resident), until your estate removes all of your personal property from the Residence and from any storage unit.

**1.5.2** In the event of your permanent relocation to Health Center Level Services or Comparable Facility for Health Center Level Services (see definitions in Paragraphs 4.1 and 4.2), or to another care facility licensed to provide the appropriate care you need, until you or your personal representative removes all of your personal property from the Residence and from any storage unit.

**1.5.3** In the event of cancellation of this Agreement as outlined in Section 7 or 8, until expiration of the cancellation period and continues until you remove all of

your personal property from the Residence and from any storage unit.

**1.6 Increase in Monthly Fee.**

The Monthly Fee is paid to us to provide the services and amenities described in this Agreement and is intended to meet the expenses associated with the operation of the Community. We may increase the Monthly Fee (which includes the Second Person Monthly Fee where applicable) upon thirty (30) days' written notice if we, in our sole discretion, deem it necessary to meet the financial needs of the Community or to provide quality services to the Residents.

**1.7 Reduction in Monthly Fee Due to Absence.** Upon the request of the Resident, the Community will provide a reduction in the Monthly Fee when a Resident is absent from the Community, equal to the raw food costs determined through the Community's budgeting process, outlined as follows:

- Two (2) Meals a Day Plan: Must be absent from the Community for more than forty-five (45) consecutive days to qualify for the reduction. The reduction begins on day 46.
- Twenty-Five (25) Meals a Month Plan: Must be absent from the Community for more than ninety (90) consecutive days to qualify for the reduction. The reduction begins on day 91.

**1.8 Reserve Funds.** The amount of the Monthly Fee also is and will continue to be affected by our policy of maintaining reserve funds for the financial security of the Community.

**1.9 Late Payment Charge.** We will charge a late payment charge in the amount of twenty-five dollars (\$25.00) if the Monthly Fees or any Extra Charges are not paid by the fifteenth (15<sup>th</sup>) day of the month.

Balances over thirty (30) days old will be assessed a one percent (1%) interest charge per month. If we hire a collection agency or attorney to collect the Monthly Fee and Extra Charges past due from you, you are to pay any and all costs of collection, including reasonable attorney's fees, costs, and expenses associated with such collection efforts.

**2. DESCRIPTION OF PRIMARY AND SUPPLEMENTAL SERVICES.**

**2.1 Services Provided for the Monthly Fee.** We will provide you, in consideration for the Monthly Fee referred to above, the following services and amenities at the Community:

- Dining allowance equal to two (2) meals per day for residents of A and B wings; three (3) meals per day for residents of the C wing; and twenty-five (25) meals per month for residents of the D wing, East wing, West wing, and cottages;
- Limited meal delivery to be provided when approved by authorized staff;
- Consultation and preparation of routine special diets;
- Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;
- Standard television cable system;
- Building janitor and maintenance;
- Grounds keeping;
- Weekly housekeeping services;
- Laundry facilities for residents in the A, B and C wings; washers and dryers provided in the D wing, East wing, West wing and cottages;
- Planned activities (social, cultural, recreational, educational, and spiritual) for those who wish to participate;
- Services of a chaplain;

- Services of a life enrichment director;
- Parking for residents and guests;
- Carpeting (except in kitchen and bath), unless some other floor surface has been installed;
- Kitchen facilities;
- Scheduled local transportation as published by us, including transportation to local medical facilities (non-emergency);
- Limited additional storage space for A, B, C, D, East and West wing apartments;
- Emergency call system, with 24-hour check-in;
- Smoke detectors;
- Security – 24 hours a day; and
- Six (6) days each year of assisted living, memory care or nursing care in the Community Health Center as outlined in Paragraph 4.4.

**2.2 Supplemental Services Provided for Extra Charge.** Supplemental services, when available, will be provided at Extra Charge and are described below. A list of Extra Charges for these supplemental services can be obtained from administration.

- Extra meals, depending upon a resident's dining allowance;
- Extended meal delivery as approved by authorized staff;
- Preparation of special diets (beyond those which are routine), as prescribed by your attending physician;
- Additional housekeeping services;
- Guest accommodations, if available;
- Guest meals;
- Personal transportation and transportation for special events and group trips;
- Community Health Center services as outlined in Section 4 (including

assisted living, memory care, nursing care, and the services of the Clinic);

- Wireless Internet; and
- Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, etc.) as outlined in Paragraph 4.10.

### **3. TERMS OF RESIDENCY.**

**3.1 Use of the Residence.** The Residence is for living only and will not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions. This Agreement is not a lease, and grants you only the right to live in the Residence, access to other facilities of the Community, and to available services and amenities, subject to the terms and conditions of this Agreement.

**3.2 Duration of Your Right to Occupy the Residence.** You may reside in your Residence for as long as you (or either of you in the case of Joint Residents) live unless you (both of you in the case of Joint Residents) are not capable of occupancy as set forth in our residency policy, or this Agreement is canceled by you or by us. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that you need assisted living services, memory care services, or nursing care services, you will be requested to relocate to the Community Health Center or Comparable Facility (as defined in Paragraph 4.2).

**3.3 Occupants of the Residence.** Except as hereinafter provided, no person other than you (both of you in the case of Joint Residents) may occupy the Residence. In the event that a second person who is not a party to this Agreement is accepted for residency in the Residence after the date we

sign this Agreement (said acceptance to be in accordance with our current residency policy), an Entrance Fee in an amount to be determined by us (which will be no more than one-half of the then-current Entrance Fee for the Residence) shall be paid upon residency, and each month thereafter, the then-current Second Person Monthly Fee shall be paid as part of the Monthly Fee. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than thirty (30) days, except with our express written approval.

If the Resident marries a person who is also a resident of the Community, and should they decide to occupy one residence as Joint Residents, they must declare which residence will be occupied and which residence will be released. The refund due for the released residence, if any, will be provided as described in Paragraph 9.5 of this Agreement.

**3.4 Guests.** Guests are welcome to stay in your Residence for short stays not to exceed ten (10) consecutive days. Such stay shall not, in the opinion of the Executive Director, adversely affect the operation of the Community or be inconsistent with the welfare of our residents.

**3.5 Release.** We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from such liability.

**3.6 Insurance.** Our insurance does not cover your personal property or your liability. It is recommended that you carry personal property insurance and liability insurance at your own expense to cover against any loss or damage to your personal

property or to the property of others caused by your negligence or that of your guests. If requested by us, you agree to provide us with proof of such insurance coverage.

### **3.7 Removal and Storage of Resident's Personal Property.**

**3.7.1** Within thirty (30) days following the date of your death (the death of the surviving Resident in the case of Joint Residents). If your personal property is not removed from the Residence and from any storage unit within such thirty (30) days, we will continue to charge your estate the Monthly Fee as outlined in Paragraph 1.5.1 above, or we may remove and store such personal property at the expense and risk of your estate. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated. We will only allow the executor(s) named in your Will to remove or dispose of your personal property in your living accommodation and any related storage unit at the Community. Members of your family or those to whom you have granted power of attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

**3.7.2** Within thirty (30) days following the date notice is delivered to you of your permanent relocation to the Community Health Center or Comparable Facility for Health Center Level Services (see definitions in Paragraphs 4.1 and 4.2), or to another care facility licensed to provide the appropriate care you need. If your personal property is not removed from your

Residence and from any storage unit within such thirty (30) days, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.2 above, or we may remove and store such personal property at your expense and risk.

**3.7.3** At the end of the cancellation period outlined in Section 7 or 8. If your personal property is not removed from your Residence and from any storage unit by the end of the cancellation period, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.3 above, or we may remove and store such personal property at your expense and risk. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated.

**3.8 Furnishings.** Furnishings within the Residence will not be provided by us except as stated in Paragraph 2.1. Furnishings provided by you shall not be such as to interfere with your health, safety or general welfare, or that of other residents or others.

**3.9 Emergency Entry and Relocation.** We may enter your Residence should it be necessary in an emergency to protect your health or safety or the health or safety of other residents. If relocation is recommended by the Medical Director or your attending physician, we will request that you relocate to another residence within the Community, or to the Community Health Center or a Comparable Facility (as defined in Paragraph 4.2), or to a hospital or other health care facility for the protection of your health or safety or for the health or safety of the other residents of the Community.

**3.10 Alterations by You.** You may not undertake any alterations to your Residence without our prior written approval. Said alterations will be set forth in a separate addendum to this Agreement, signed by you and us.

**3.11 Condition of Residence.** Upon vacating the Residence, you agree to leave it in good and clean condition. You shall be liable to us for any charges incurred to restore your Residence to good and clean condition, except for normal wear and tear.

**3.12 Rights of Second Single Resident.** When two Joint Residents reside in a single Residence under this Agreement, upon the death or permanent relocation of one Resident to a different level of care at the Community, or other inability of that Resident to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the terms of this Agreement and shall pay the Monthly Fee.

**3.13 Smoke-Free Community.** The Community is a smoke-free community, pursuant to its Smoke-Free Community Policy (a copy of which is available upon request), wherein the campus and buildings have been designated as "smoke free". Smoking (including E-Cigarettes) is not allowed by residents, guests, staff, and business invitees in any part of the Community (except in designated outdoor areas), including, but not limited to, the residences, the Community Health Center (including the assisted living facility, memory care unit, and the nursing facility), hallways, dining rooms, public restrooms, lounge areas, reception areas, waiting rooms, courtyards, entrances, walking paths, driveways, and any other common areas of the Community. Outside designated smoking areas will be posted. Violation of the Smoke-Free Community Policy can result in our



cancellation of this Agreement for just cause as outlined in Paragraph 8.1 hereof.

**3.14 Firearms Policy.** The Community has adopted a policy governing the possession of firearms at the Community. Firearms need to be registered with the Community and properly secured. In the event that you are unable to safely maintain a firearm, we will contact your designated power of attorney, legal representative or family member to remove any firearms from your Residence.

#### **4. THE COMMUNITY HEALTH CENTER.**

**4.1 Description.** The Community Health Center is the portion of the Community which is licensed to provide three levels of care: assisted living care, memory care, and nursing care (collectively "Health Center Level Services"). The Community Health Center is staffed by licensed nursing personnel 24 hours a day.

**4.2 Alternate Accommodations.** You will be given priority over non-residents for admission to the Community Health Center. In the event the Community Health Center is fully occupied when you are determined to need such care, you agree to relocate to an alternate health care facility that provides services similar to the Community Health Center or to another care facility licensed to provide the appropriate care you need (a "Comparable Facility") until an appropriate space becomes available for you at the Community. We will not be responsible for the charges associated with the Comparable Facility. Upon your relocation to a Comparable Facility, you shall continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

**4.3 Clinic.** The Clinic is available for certain examinations,

consultations, tests and appointments. Such services will be at an Extra Charge to you.

**4.4 Six (6) Days of Assisted Living, Memory Care or Nursing Care.** You are eligible to receive a total of six (6) days each year of either assisted living care, memory care or nursing care in the Community Health Center while you are a resident of your Residence. In the case of Joint Residents, each of you will receive six (6) days, but the days cannot be combined and used by only one of you. Such six (6) days renews on an annual basis and does not accumulate. You are required to pay the charges for physician services and any additional health services as outlined in Paragraph 4.10. Once you are permanently assigned to assisted living, memory care or nursing care in the Community Health Center or Comparable Facility, you no longer qualify for the six (6) free days of assisted living, memory care or nursing care and will be required to pay the per diem charge for such care. **[NOTE: The six (6) days of care is a combined annual total for assisted living, memory care and nursing care at the Community.]**

**4.5 Transfer to Health Center Level Services.** In the event your physical or mental health is determined by us to be appropriate for Health Center Level Services, you agree to relocate to the Community Health Center or a Comparable Facility. Such a determination will be made by us after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

**4.6 Temporary Relocation to the Community Health Center.** In the event you require temporary care in the Community Health Center (beyond the six (6) days of care as outlined in Paragraph 4.4, if applicable), you will pay the per diem

charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 4.10. In addition, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above.

**4.7 Permanent Relocation to Health Center Level Services.** In the event you require permanent care in the Community Health Center (beyond the six (6) days of care as outlined in Paragraph 4.4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 4.10. If you are determined appropriate for Health Center Level Services, and are permanently relocated to the Community Health Center or a Comparable Facility, you will be required to release your Residence to us, and remove all of your personal property from the Residence and from any storage unit as outlined in Paragraph 3.7.2. We shall have the right to reassign the Residence for occupancy by others except as provided in Paragraph 3.12. Release of the Residence due to your permanent relocation to the Community Health Center or to a Comparable Facility does not qualify you for a refund of the Entrance Fee, unless this Agreement is canceled. Subject to the terms and conditions of this Agreement, you will continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

**4.8 Relocation within the Community Health Center.** We reserve the right to relocate you to a different level of care within the Community Health Center if you require such care. Such relocation will be made after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal

representative, and you to the extent possible.

**4.9 Return to Residence.** If we subsequently determine, in consultation with your attending physician, your personal representative and you to the extent possible, that you can resume occupancy in a residence equivalent to the residence you previously occupied, you shall have the right to relocate to such equivalent residence as soon as one is available. Upon reoccupying a residence, your Monthly Fee will be based on the then-current Monthly Fee for the residence.

**4.10 Medical Director, Attending Physician, and Additional Health Services.** We have designated a licensed physician to serve as Medical Director of the Community Health Center. You are required to have a local attending physician. You may engage the services of the Medical Director at your own expense. If your personal physician will be providing you with services in the Community Health Center, he/she may do so upon providing us with his/her credentials and with proof of liability insurance, and he/she agrees to abide by our policies and procedures. We will not be responsible for the charges for medical treatment or services by the Medical Director or your attending physician, nor will we be responsible for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

**4.11 Advanced Payment for Medical Treatment.** In the event we incur or advance payment for your medical treatment or for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment (even in the event such medical care is given at the direction of your attending physician or the

Medical Director without your prior approval), you shall promptly reimburse us for such payments. Upon cancellation of this Agreement for any reason, any amounts due to us under this Paragraph 4.11 shall be offset against any refund of the Entrance Fee.

**4.12 Medicare and Health Insurance.** The Community Health Center has received Medicare certification on six (6) of its nursing beds. When eligible, you are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility. You shall furnish to us such evidence of coverage as we may from time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in the Community Health Center or a Comparable Facility. If you are eligible to receive the six (6) days of nursing care in the Community Health Center as provided in Paragraph 4.4 and your stay in the Community Health Center is a Medicare-qualified stay, such six (6) days will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B and acceptable supplemental health insurance or equivalent insurance coverage.

If you are not eligible for Medicare, you shall maintain health insurance coverage acceptable to us and shall furnish us with evidence of such coverage upon our request. Should your health insurance not fully cover your stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each admission and stay in the Community Health Center or a Comparable Facility.

If failure to maintain Medicare Part A, Medicare Part B, supplemental health insurance or other health insurance coverage causes depletion of your resources and impairs your ability to meet your financial obligations, we need not defer your financial obligations to us as outlined in Paragraph 6.1, and we retain the right to cancel the Residency Agreement as provided in Section 8.

**4.13 Managed Care.** If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:

**4.13.1 Participating Provider.** If the Community Health Center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, the Community agrees to be reimbursed at the rate negotiated with your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with

Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 4.10.

**4.13.2 Not a Participating Provider.** If the Community Health Center is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all charges for health care services. In addition, while receiving health care services at the managed care participating provider, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above. Such a stay at a managed care participating provider will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable.

**4.13.3 Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we will attempt to negotiate a reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. You will continue to pay

the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 4.10.

**4.13.4 No Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive nursing care in the Community Health Center during a Medicare-qualified stay, then each day of your stay in the Community Health Center will reduce by one day the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. During any such Medicare-qualified stay in the Community Health Center, you agree that you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above and any charges for physician services and any additional health services as outlined in Paragraph 4.10. If at any time during any such Medicare-qualified stay in the Community Health Center you are no longer eligible to receive any of the days of care provided for in Paragraph 4.4, then you agree to pay the per diem charge for your care in the Community Health Center, the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, and any charges for physician services and any additional health services as outlined in Paragraph 4.10.

**4.13.5 Post Medicare-Qualified Stay.** At the conclusion of each such Medicare-qualified

stay, you will be entitled to care in the Community Health Center in accordance with the terms of this Agreement other than as provided in this Paragraph 4.13, as adjusted to reflect any reduction during such stay in the number of days of care that you are eligible to receive without additional charge as provided in Paragraph 4.4, as applicable.

**4.14 Long-Term Care Insurance.** We will use reasonable efforts to assist you in working with your long-term care insurance provider to obtain the benefits to which you may be entitled.

**4.15 Transfer to Hospital or Other Care Facility.** If we determine after consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond that which the Community Health Center is licensed to provide, you will be transferred to a hospital or other care facility. Our staff will not accompany you to the hospital or other facility. We shall not be responsible for any charges associated with the transfer and health care expenses or charges incurred by you after such a transfer. You shall continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5 above.

**4.16 Community Health Center Admission Agreement.** If you require care in the Community Health Center, you agree to enter into a separate admission agreement for the appropriate level of care, which will be signed by you and us.

**4.17 Under Age 62.** If you are under the age of 62 when you occupy your Residence under this Agreement, you are not eligible to receive the six (6) days of care in the Community Health Center as described in Paragraph 4.4 until you attain

the age of 62. During this time, you will be entitled to Health Center Level Services at the then-current per diem charge being charged to nonresidents until age 62.

## **5. REPRESENTATIONS.**

**5.1 Our Representations.** We represent and warrant that we are a nonprofit corporation. We are exempt from payment of Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. We are affiliated with the North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction. The North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction is not responsible for our financial or contractual obligations.

**5.2 Your Representations.** You represent and warrant that the representations made in the application for residency, your personal health history, and the confidential financial statement are true and correct and may be relied upon by us as a basis for your acceptance for residency at the Community. You also represent and warrant that you have not made any gift of your property in contemplation of the execution of this Agreement.

## **6. PROMISES.**

**6.1 Our Promises.** It is and shall be our declared policy to operate as a nonprofit organization. We will not cancel this Agreement without just cause as specified in Section 8. Further, we shall not cancel this Agreement solely by reason of your financial inability to pay the full Monthly Fee or the per diem charge for care in the Community Health Center, provided you have met all "spend-down" provisions of eligibility for the Medicaid program and any public assistance funds. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder

by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. You shall be permitted to remain at the Community for a reduced fee based on your ability to pay for as long as you establish facts to justify deferment of such charges and when deferment of such charges can, in our sole discretion, be granted without impairing our ability to operate the Community on a sound financial basis for the benefit of all residents.

**6.2 Your Promises.** You agree to comply with all policies and procedures of the Community as now existing or as hereafter amended; to pay the Entrance Fee, Monthly Fee, and any other charges as provided in this Agreement; to not impair your ability to meet the financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance, without our consent; to apply for public assistance funds (if available) and/or Medicaid (if the Community Health Center becomes Medicaid certified) if you should need financial assistance as outlined in Paragraph 6.1 above while receiving Health Center Level Services; and to abide by all other terms of this Agreement.

## **7. CANCELLATION BY RESIDENT.**

**7.1 Right of Rescission.** Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. However, if you occupy the

Residence during the rescission period and then rescind this Agreement, you will only be charged a Monthly Fee for the period of time that you actually occupied the Residence. Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 9.2.

**7.2 Cancellation Prior to Occupancy.** You may cancel this Agreement for any reason at any time before you move into the Community by giving us written notice signed by you (both of you in the case of Joint Residents). Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 9.3 or 9.4. If you die prior to occupying the Residence or if, on account of illness, injury or incapacity, you are precluded from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel upon our receipt of notice of your death, illness, injury or incapacity. If you elect to cancel this Agreement because of a substantial change in your physical, mental, or financial condition prior to occupancy, then this Agreement will cancel upon written notice from you. Refund of the Entrance Fee shall be as outlined in Paragraph 9.3.

**7.3 Cancellation After Occupancy.** You may cancel this Agreement for any reason after moving into the Community by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must remove your personal property from the Residence and from any storage unit within said thirty (30) day notice period as outlined in Paragraph 3.7.3. You are obligated to pay the Monthly Fee during the thirty (30) days, and thereafter if the Residence has not been released to us in accordance with Paragraph 1.5.3 above. Refund of the Entrance Fee shall be as outlined in Paragraph 9.5.

**7.4 Cancellation Due to Death After Occupancy.** This Agreement will automatically cancel upon your death (unless you have a surviving Joint Resident). Your estate must remove your personal property from the Residence and from any storage unit within thirty (30) days after your death as outlined in Paragraph 3.7.1. Your estate will be obligated to pay the Monthly Fee as outlined in Paragraph 1.5.1 above. Refund of the Entrance Fee shall be as outlined in Paragraph 9.5.

## **8. CANCELLATION BY UMRH.**

**8.1 Cancellation Upon Notice.** We may, upon notice and opportunity to cure as hereinafter provided, cancel this Agreement for just cause. Just cause shall include the occurrence of any of the following events (hereinafter referred to as a "Default"):

### **8.1.1 Noncompliance.**

You do not comply with the terms of this Agreement or the published operating procedures, covenants, rules, regulations, and policies now existing or later amended by us.

### **8.1.2 Misrepresentation.**

You misrepresent yourself or fail to disclose information during the residency process.

**8.1.3 Nonpayment.** You fail to pay any charges to us, subject to the provisions of Paragraph 6.1, within forty-five (45) days of the date when such charges are due.

**8.1.4 Threat to Health or Safety.** Your health status or behavior constitutes a substantial threat to the health, safety or peace of yourself, other residents, or others including your refusal to consent to

relocation, or behavior that would result in physical damage to the property of the Community or others.

**8.1.5 Change in Condition.** There is a major change in your physical or mental condition and your condition cannot be cared for in the Community Health Center within the limits of our license.

**8.2 Default Notice.** Prior to cancellation for any Default described in Paragraph 8.1.1, 8.1.2 or 8.1.3 above, we shall give you notice in writing of such Default, and you shall have at least thirty (30) days thereafter within which to correct such Default. No Default shall eliminate your obligation to pay the Monthly Fee. If you correct such Default within such time, this Agreement shall not be canceled. If you fail to correct such Default within such time, this Agreement shall cancel at the expiration of such thirty (30) days.

In the event of the occurrence of a Default described in Paragraph 8.1.4 or 8.1.5 above, if we or the Medical Director determines that either the giving of notice of Default or the lapse of time as above provided might be detrimental to you or others, then such notice and/or waiting period prior to cancellation shall not be required. Also, in the event of the occurrence of a Default described in Paragraph 8.1.4 or 8.1.5, we are expressly authorized by you to transfer you to an appropriate hospital or other facility, and we will promptly notify your personal representative or attending physician.

## **9. REFUND OF ENTRANCE FEE.**

**9.1 Nonacceptance by Us.** If we do not accept you for residency at the Community, the full amount of the Entrance Fee you have paid will be promptly refunded to you, without interest.

**9.2 Right of Rescission.** If you rescind this Agreement as provided in Paragraph 7.1, you shall receive a full refund of the portion of the Entrance Fee paid by you, without interest, within sixty (60) days of our receipt of the written notice of rescission.

**9.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, or Incapacity.** If, prior to occupancy and after your right of rescission period has expired, you die or you cancel this Agreement because of illness, injury or incapacity, you or your estate will receive a refund of the portion of the Entrance Fee you have paid, without interest, less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days following (i) the date of automatic cancellation of this Agreement; or (ii) the date of our receipt of your written notice of cancellation.

**9.4 Cancellation Prior to Occupancy for Other Reasons.** If you cancel this Agreement for reasons other than those stated in Paragraphs 9.2 or 9.3 above, you shall receive a refund of the Entrance Fee paid, less a non-refundable portion of the Entrance Fee equal to Two Thousand Dollars (\$2,000) and less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

**9.5 Cancellation After Occupancy.** In the event you or we cancel this Agreement after occupancy or in the event of your death (the death of the survivor in the case of Joint Residents), you or your estate will be reimbursed the amount of the Entrance Fee previously paid by you, less

two percent (2%) for each month of residency or portion thereof, for up to five (5) months. Subject to our offset rights outlined in Paragraph 9.6, the refund of the Entrance Fee will not be less than ninety percent (90%). Said refund will be paid, without interest, at such time as a new resident has paid the full amount of the Entrance Fee for your Residence or within two (2) years from the date of cancellation, whichever occurs first.

**9.6 Offset Against Entrance Fee Refund.** In the event of cancellation of this Agreement as described in Paragraph 9.5 above, we will offset against any Entrance Fee refund due to you or your estate the following:

**9.6.1** The amount of any unpaid Monthly Fees, prorated Monthly Fees for the period of time the Residence was occupied (which shall include the period of time until you or your personal representative removes all of your personal property from the Residence and from any storage unit) after cancellation of this Agreement, any Extra Charges, or other charges deferred by us on your behalf under Paragraph 6.1; and

**9.6.2** Any health care expenses incurred on your behalf and other amounts payable to us, which remain unreimbursed; and

**9.6.3** Any charges incurred to restore the Residence to good condition, normal wear and tear excepted, as outlined in Paragraph 3.11; and

**9.6.4** Any charges incurred as a result of options and custom features added to the Residence at your request as outlined in Exhibit A



or in a separate addendum to this Agreement.

## **10. MISCELLANEOUS.**

**10.1 Nature of Rights.** You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 9; (ii) this Agreement and your contractual right to occupy the Community will exist and continue to exist during your lifetime unless canceled as provided herein; (iii) this Agreement grants you the right to occupy and use space in the Community but does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement grants to us complete decision-making authority regarding the management and operation of the Community.

**10.2 Release.** We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from any such liability. You may want to obtain at your own expense insurance to protect against such losses.

**10.3 Amendment.** This Agreement may be amended by agreement of the parties to this Agreement. No amendment of this Agreement shall be valid unless in writing and signed by you and us.

**10.4 Law Changes.** This Agreement may be modified by us at any time in order to comply with applicable laws or regulations. Further, we may change any part of the Community, including the Residence, to meet the requirements of any applicable law or regulation.

**10.5 Entire Agreement.** This Agreement and any addenda or amendments thereto contain our entire understanding with respect to your residency at the Community.

**10.6 Monthly Statement.** You shall receive a monthly statement from us showing the total amount of fees and other charges owed by you, which shall be paid upon receipt and by no later than the fifteenth (15<sup>th</sup>) day of each month.

**10.7 Responsible Party for Business and Financial Decision Making.** Prior to assuming residency at the Community, you agree to execute and deliver to us a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Community.

**10.8 Disposition of Furniture, Possessions, and Property.** You agree to make provision by Will or otherwise for the disposition of all of your furniture, property, and possessions located on the premises of the Community within sixty (60) days after the date of residency.

**10.9 Nonwaiver.** If we fail to insist in any instance upon performance of

any of the terms, promises, or conditions of this Agreement, it shall not be construed as a waiver or relinquishment of the future performance of any such terms, promises, or conditions, but your obligation with respect to such future performances shall continue in full force and effect.

**10.10 Notices.** Any notice required to be given to us under this Agreement shall be in writing and sent certified mail, return receipt requested, with all postage and charges prepaid, or hand-delivered to the Executive Director of the Community at 100 Hickory Street; Greenville, North Carolina 27858. Such notices shall be dated and signed.

Any notice required to be given to you shall be delivered to you at the Community or at such other place as you shall designate to us in writing and sent by certified mail or hand delivered. All notices mailed in accordance with this Paragraph shall be deemed to be given when mailed whether or not they are actually received.

**10.11 Indemnity.** We will not be liable for and you agree to indemnify, defend and hold us harmless from claims, damages and expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to, or in any way connected with your negligent or intentional act or omission or that of your guests.

**10.12 Severability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

**10.13 Subordination.** You agree that all your rights under this Agreement will always be subordinate and junior to the

lien of all mortgages or other documents creating liens encumbering the Community, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender(s) such further written evidence of such subordination as such lender(s) may reasonably require. Except to the extent of your obligation to pay the Monthly Fee and Second Person Monthly Fee, you shall not be liable for any such indebtedness.

**10.14 Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. This Agreement will become effective upon acceptance and signature by us.

**10.15 Resident.** In the case of Joint Residents, the rights and obligations of each are joint and several, except as the context of this Agreement otherwise requires.

**10.16 Reimbursement for Loss or Damage.** You or your responsible party, if applicable, agree to reimburse us for any loss or damage to the Community caused by your intentional, careless, or negligent acts or omissions or that of your guests.

**10.17 Charges for Collection.** You agree to reimburse us for any charges we incur to collect any unpaid amounts you or estate owes to us under this Agreement.

**10.18 Sale or Transfers of Interest.** We may sell or transfer our interest in the Community provided the buyer will agree to assume this Agreement and all other existing Residency Agreements. Upon the assumption of this Agreement by a buyer of the Community and its agreement to perform this Agreement and all other agreements, we will have no further obligation hereunder. Your signature

hereto constitutes your consent and approval of any such future transaction.

**10.19 Private Employee of Resident.** If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency (personal service provider). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home health agency. In any event, you must comply with our policy regarding personal service providers, and ensure that your private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct set forth in our policy. If you fail to follow or enforce the policies and rules set forth therein, then we may elect, in our sole option, to cancel this Agreement.

**10.20 Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement as more fully explained in our Disclosure Statement.

**10.21 Management.** We have engaged the services of Life Care Services LLC ("LCS") to manage Cypress Glen. We are not affiliated with LCS nor is LCS responsible for our contractual or financial obligations or the contractual or financial obligations of Cypress Glen.

**10.22 Governing Law.** This Agreement will be governed, interpreted and construed according to the laws of the State of North Carolina.

**10.23 Survival of Representations and Obligations.** Your representations and obligations under this Agreement, including but not limited to, your obligation to pay all sums owed by you to us, and your agreement to indemnify us as set forth in Paragraph 10.11, and our representations

and obligations under this Agreement, will survive any cancellation of your residency in the Community, regardless of the reason for such cancellation and regardless of whether it is initiated by you or by us.

## **11. MEDIATION AND ARBITRATION.**

**11.1 Mediation.** In the event a dispute, claim or controversy of any kind arises between the parties – except for those disputes, claims or controversies arising under Paragraph 11.3 below – that cannot be resolved by mutual agreement, the parties agree to submit such dispute, claim or controversy to a neutral mediator for possible resolution. The parties will jointly agree on a neutral mediator. Each party shall submit all evidence or information in writing to the mediator in support of its contentions or allegations and any defense either party may have with respect to the dispute, claim or controversy. Each party shall have the right to a hearing before the mediator and to personally present information pertinent to such dispute, claim or controversy. The mediator shall assist each party, in an unbiased manner, in reaching an amicable agreement regarding the dispute, claim or controversy. If an amicable agreement is not reached, or if either party fails or refuses to negotiate or mediate in good faith to resolve the matter, or if a neutral mediator cannot be agreed upon between the parties, then the parties agree to submit such dispute, claim or controversy to an arbitration process as outlined below.

**11.2 Arbitration.** In the event a dispute, claim or controversy of any kind arising out of or relating to this Agreement – except for those disputes, claims or controversies arising under Paragraph 11.3 below – cannot be resolved through mediation as described in Paragraph 11.1 above, the parties agree that said dispute,

claim, or controversy will be submitted to and determined by arbitration in Pitt County, North Carolina in accordance with the Federal Arbitration Act. You and we will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in state law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all residents of the Community provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue affects more than one (1) resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us. This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

**11.3 Voluntary Arbitration of Negligent Health Care Claims.** For all claims for damages in personal injury or wrongful death actions, based on alleged negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C. G.S. §90-21.60(b) prohibits any contract from requiring prior agreement of the parties to

arbitrate negligent health care claims. Thus, Paragraphs 11.1 and 11.2 do not apply to personal injury or wrongful death actions based on alleged negligence in the provision of health care. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

[Signature Page Follows]

You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement dated \_\_\_\_\_, 20\_\_\_\_.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

**THE UNITED METHODIST  
RETIREMENT HOMES,  
INCORPORATED  
d/b/a Cypress Glen Retirement  
Community**

\_\_\_\_\_  
RESIDENT

By \_\_\_\_\_  
Executive Director

\_\_\_\_\_  
Witness

Date: \_\_\_\_\_

\_\_\_\_\_  
RESIDENT

By \_\_\_\_\_  
Authorized Agent of UMRH

\_\_\_\_\_  
Witness

Date: \_\_\_\_\_

Attachment: Exhibit A



CG 90 Percent Return of Capital Residency Agreement (2018.02.05) CLEAN.docx

**Exhibit A**

<b>Options and Custom Features Added at Resident's Request:</b>	<b>Amount</b>
	\$
	\$
	\$
	\$
	\$
	\$
<b>Total</b>	\$

**Initials** \_\_\_\_\_  
**Community**

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

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

WBD(US) 41242208v3



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**Standard  
Residency Agreement  
(For Cottage or Villa To Be Constructed)**

02/05/2018



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Exhibit A – Options and Custom Features Added at Resident's Request

## GLOSSARY

The following terms are described as used in the accompanying Residency Agreement. Reference to the Residency Agreement and the context in which the terms are used is recommended to provide a fuller understanding of each of the terms:

**"Agreement"** means the Residency Agreement, entered into between the Resident and The United Methodist Retirement Homes, Incorporated, which outlines the contractual obligations of both parties.

**"Community"** means the continuing care retirement community known as "Cypress Glen Retirement Community," including all of the residences, common areas, and site amenities.

**"Entrance Fee"** means payment that assures a resident a place at the Community for life as long as the resident complies with terms of this Agreement. At the time the resident makes application for residency at the Community, the resident will sign a Residency Agreement to reserve the residence selected and will pay an Entrance Fee deposit to the Community. The balance of the Entrance Fee will be paid in incremental percentages on set dates with the remaining balance paid on the earlier of (i) occupancy or (ii) 30 days from the date that you are notified that the residence is ready for occupancy. Specific information is located into Paragraph 1.2 of this Agreement.

**"Extra Charges"** means the additional fees required to be paid for the additional services and amenities requested by Resident, as set forth in Paragraph 2.2 of this Agreement.

**"Health Center"** means the portion of the Community, which is licensed to provide three levels of care: assisted living care, memory care, and nursing care, as described in Section 4 of the Agreement.

**"Monthly Fee"** means that fee payable each month by the Resident as set forth in Paragraphs 1.3 and 1.4 of the Agreement, in consideration for the services and amenities provided to the residents of the Community described in Paragraph 2.1 of this Agreement. If there are Joint Residents under this Agreement, the Monthly Fee will include a "Second Person Monthly Fee."

**"Residence"** means the cottage to be constructed at the Community identified in the introductory paragraph of the Agreement, in which the Resident has the right to live pursuant to this Agreement in exchange for paying the Entrance Fee and the Monthly Fee.

**"Resident" or "you"** means the Resident(s) who sign this Agreement. Sometimes a second resident (if there are two of you) is referred to in this Agreement as the "Joint Resident." Further, both Residents may be referred to as "Joint Residents." Unless otherwise indicated, "you" refers to both of you if there are two of you.

**"Responsible Party"** refers to that person who may act on resident's behalf, including signing this Agreement.

**"The United Methodist Retirement Homes, Incorporated" or "we" or "our" or "us"** means the owner of the retirement community known as Cypress Glen Retirement Community, including all of the residences, common areas, and site amenities associated with these areas. The United Methodist Retirement Homes, Incorporated is a North Carolina non-profit corporation.



**Residency Agreement  
Standard  
(For Cottage or Villa To Be Constructed)**

**INTRODUCTION**

This Standard Residency Agreement (For Cottage or Villa To Be Constructed) ("Agreement") is entered into by The United Methodist Retirement Homes, Incorporated ("UMRH," "we," "us," or "our") and \_\_\_\_\_ (individually or collectively, "you," "your," or "Resident"). Cypress Glen Retirement Community is a continuing care retirement community located at 100 Hickory Street; Greenville, NC 27858 ("Cypress Glen" or "Community").

We will provide residential housing for seniors along with a wide array of personal services and amenities outlined in this Agreement. Subject to the conditions contained in this Agreement, we agree to make available to you the Residence described as follows:

Residence Number \_\_\_\_\_  
Residence Style \_\_\_\_\_

You may select certain options and custom features in the Residence at an additional charge, which shall not be subject to any refund provision herein. Any such options and custom features selected and paid for by you will become our property. Such options and custom features must be approved by the Executive Director of the Community prior to adding them to the Residence. The Executive Director of the Community has consented to your request to add the options and custom features set forth on Exhibit A attached to this Agreement. You agree to pay the amount(s) set forth on Exhibit A to cover the charges for such items.

As a Resident of the Community, you are offered lifetime use of your Residence and lifetime access to the Community Health Center, subject to the terms and conditions of this Agreement.

To be accepted for residency, you must meet our residency criteria, which includes: having reached the age of 62 (or sharing your Residence with a Joint Resident who is 62 or older); financial guidelines; and the ability to live in a residence (with or without reasonable accommodation and/or reasonable modification) – all as outlined in our current residency policy.

The purpose of this Agreement is to set forth your rights and duties as a Resident of the Community and to delineate the services to be provided at the Community.

## **1. CHARGES FOR RESIDENCE AND PRIMARY SERVICES.**

**1.1 Application Fee.** Prior to or upon your execution of this Agreement, you will pay to us a non-refundable Application Fee of \$\_\_\_\_\_. The Application Fee will be used by us to process your application for residency.

**1.2 Entrance Fee.** In order to reside at the Community for life, subject to this Agreement, and to receive the services and amenities described below, you agree to pay to us (in addition to the Monthly Fee described below) an Entrance Fee in the amount of \$\_\_\_\_\_ (includes first and second person, if applicable). The total amount of the Entrance Fee shall be payable as follows:

**1.2.1** Ten percent (10%) of the total Entrance Fee is \$\_\_\_\_\_, less any previously paid Future Resident Fee (\$\_\_\_\_\_), equals \$\_\_\_\_\_, which amount is due and payable upon your execution of this Agreement.

**1.2.2** The balance of \$\_\_\_\_\_ (ninety percent (90%) of the Entrance Fee) shall be paid to us on the earlier of (i) the date you assume occupancy at the Community or (ii) within thirty (30) days from the date you are notified that the Residence is ready for occupancy.

**1.3 Monthly Fee.** You are obligated to begin paying a Monthly Fee (or a pro rata portion thereof) on the earlier of (i) the date you assume occupancy at the Community or (ii) within thirty (30) days from the date you are notified that the Residence is ready for occupancy. Thereafter, the Monthly Fee is due upon receipt of a statement from us and by no later than the fifteenth (15<sup>th</sup>) of each month. The Monthly Fee is initially set at a specific

amount that can be increased as described in Paragraph 1.6 below. A "Second Person Monthly Fee" shall become part of the Monthly Fee and shall be paid if two persons are Joint Residents under this Agreement. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component.

**1.4 Initial Monthly Fee.** The initial Monthly Fee payable by you is \$\_\_\_\_\_ per month and an additional \$\_\_\_\_\_ per month as a Second Person Monthly Fee component of the Monthly Fee if two persons reside as Joint Residents pursuant to this Agreement.

**1.5 Continuance of Monthly Fee.** Payment of the Monthly Fee will continue as follows:

**1.5.1** In the event of your death (in the case of Joint Residents, the death of the surviving Resident), until your estate removes all of your personal property from the Residence and from any storage unit.

**1.5.2** In the event of your permanent relocation to Health Center Level Services or Comparable Facility for Health Center Level Services (see definitions in Paragraphs 4.1 and 4.2), or to another care facility licensed to provide the appropriate care you need, until you or your personal representative removes all of your personal property from the Residence and from any storage unit.

**1.5.3** In the event of cancellation of this Agreement as outlined in Section 7 or 8, until expiration of the cancellation period

and continues until you remove all of your personal property from the Residence and from any storage unit.

**1.6 Increase in Monthly Fee.**

The Monthly Fee is paid to us to provide the services and amenities described in this Agreement and is intended to meet the expenses associated with the operation of the Community. We may increase the Monthly Fee (which includes the Second Person Monthly Fee where applicable) upon thirty (30) days' written notice if we, in our sole discretion, deem it necessary to meet the financial needs of the Community or to provide quality services to the Residents.

**1.7 Reduction in Monthly Fee Due to Absence.**

Upon the request of the Resident, the Community will provide a reduction in the Monthly Fee when a Resident is absent from the Community, equal to the raw food costs determined through the Community's budgeting process, outlined as follows:

- Two (2) Meals a Day Plan: Must be absent from the Community for more than forty-five (45) consecutive days to qualify for the reduction. The reduction begins on day 46.
- Twenty-Five (25) Meals a Month Plan: Must be absent from the Community for more than ninety (90) consecutive days to qualify for the reduction. The reduction begins on day 91.

**1.8 Reserve Funds.** The amount of the Monthly Fee also is and will continue to be affected by our policy of maintaining reserve funds for the financial security of the Community.

**1.9 Late Payment Charge.** We will charge a late payment charge in the amount of twenty-five dollars (\$25.00) if the Monthly Fees or any Extra Charges are not

paid by the fifteenth (15<sup>th</sup>) day of the month. Balances over thirty (30) days old will be assessed a one percent (1%) interest charge per month. If we hire a collection agency or attorney to collect the Monthly Fee and Extra Charges past due from you, you are to pay any and all costs of collection, including reasonable attorney's fees, costs, and expenses associated with such collection efforts.

**2. DESCRIPTION OF PRIMARY AND SUPPLEMENTAL SERVICES.**

**2.1 Services Provided for the Monthly Fee.** We will provide you, in consideration for the Monthly Fee referred to above, the following services and amenities at the Community:

- Dining allowance equal to two (2) meals per day for residents of A and B wings; three (3) meals per day for residents of the C wing; and twenty-five (25) meals per month for residents of the D wing, East wing, West wing, and cottages;
- Limited meal delivery to be provided when approved by authorized staff;
- Consultation and preparation of routine special diets;
- Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;
- Standard television cable system;
- Building janitor and maintenance;
- Grounds keeping;
- Weekly housekeeping services;
- Laundry facilities for residents in the A, B and C wings; washers and dryers provided in the D wing, East wing, West wing and cottages;
- Planned activities (social, cultural, recreational, educational, and spiritual) for those who wish to participate;
- Services of a chaplain;

- Services of a life enrichment director;
- Parking for residents and guests;
- Carpeting (except in kitchen and bath), unless some other floor surface has been installed;
- Kitchen facilities;
- Scheduled local transportation as published by us, including transportation to local medical facilities (non-emergency);
- Limited additional storage space for A, B, C, D, East and West wing apartments;
- Emergency call system, with 24-hour check-in;
- Smoke detectors;
- Security – 24 hours a day; and
- Six (6) days each year of assisted living, memory care or nursing care in the Community Health Center as outlined in Paragraph 4.4.

**2.2 Supplemental Services Provided for Extra Charge.** Supplemental services, when available, will be provided at Extra Charge and are described below. A list of Extra Charges for these supplemental services can be obtained from administration.

- Extra meals, depending upon a resident's dining allowance;
- Extended meal delivery as approved by authorized staff;
- Preparation of special diets (beyond those which are routine), as prescribed by your attending physician;
- Additional housekeeping services;
- Guest accommodations, if available;
- Guest meals;
- Personal transportation and transportation for special events and group trips;
- Community Health Center services as outlined in Section 4 (including

assisted living, memory care, nursing care, and the services of the Clinic);

- Wireless Internet; and
- Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, etc.) as outlined in Paragraph 4.10.

### **3. TERMS OF RESIDENCY.**

**3.1 Use of the Residence.** The Residence is for living only and will not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions. This Agreement is not a lease, and grants you only the right to live in the Residence, access to other facilities of the Community, and to available services and amenities, subject to the terms and conditions of this Agreement.

**3.2 Duration of Your Right to Occupy the Residence.** You may reside in your Residence for as long as you (or either of you in the case of Joint Residents) live unless you (both of you in the case of Joint Residents) are not capable of occupancy as set forth in our residency policy, or this Agreement is canceled by you or by us. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that you need assisted living services, memory care services, or nursing care services, you will be requested to relocate to the Community Health Center or Comparable Facility (as defined in Paragraph 4.2).

**3.3 Occupants of the Residence.** Except as hereinafter provided, no person other than you (both of you in the case of Joint Residents) may occupy the Residence. In the event that a second person who is not a party to this Agreement is accepted for residency in the Residence after the date we

sign this Agreement (said acceptance to be in accordance with our current residency policy), an Entrance Fee in an amount to be determined by us (which will be no more than one-half of the then-current Entrance Fee for the Residence) shall be paid upon residency, and each month thereafter, the then-current Second Person Monthly Fee shall be paid as part of the Monthly Fee. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than thirty (30) days, except with our express written approval.

If the Resident marries a person who is also a resident of the Community, and should they decide to occupy one residence as Joint Residents, they must declare which residence will be occupied and which residence will be released. The refund due for the released residence, if any, will be provided as described in Paragraph 9.5 of this Agreement.

**3.4 Guests.** Guests are welcome to stay in your Residence for short stays not to exceed ten (10) consecutive days. Such stay shall not, in the opinion of the Executive Director, adversely affect the operation of the Community or be inconsistent with the welfare of our residents.

**3.5 Release.** We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from such liability.

**3.6 Insurance.** Our insurance does not cover your personal property or your liability. It is recommended that you carry personal property insurance and liability insurance at your own expense to cover against any loss or damage to your personal

property or to the property of others caused by your negligence or that of your guests. If requested by us, you agree to provide us with proof of such insurance coverage.

### **3.7 Removal and Storage of Resident's Personal Property.**

**3.7.1** Within thirty (30) days following the date of your death (the death of the surviving Resident in the case of Joint Residents). If your personal property is not removed from the Residence and from any storage unit within such thirty (30) days, we will continue to charge your estate the Monthly Fee as outlined in Paragraph 1.5.1 above, or we may remove and store such personal property at the expense and risk of your estate. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated. We will only allow the executor(s) named in your Will to remove or dispose of your personal property in your living accommodation and any related storage unit at the Community. Members of your family or those to whom you have granted power of attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

**3.7.2** Within thirty (30) days following the date notice is delivered to you of your permanent relocation to the Community Health Center or Comparable Facility for Health Center Level Services (see definitions in Paragraphs 4.1 and 4.2), or to another care facility licensed to provide the appropriate care you need. If your personal property is not removed from your



Residence and from any storage unit within such thirty (30) days, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.2 above, or we may remove and store such personal property at your expense and risk.

**3.7.3** At the end of the cancellation period outlined in Section 7 or 8. If your personal property is not removed from your Residence and from any storage unit by the end of the cancellation period, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.3 above, or we may remove and store such personal property at your expense and risk. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated.

**3.8 Furnishings.** Furnishings within the Residence will not be provided by us except as stated in Paragraph 2.1. Furnishings provided by you shall not be such as to interfere with your health, safety or general welfare, or that of other residents or others.

**3.9 Emergency Entry and Relocation.** We may enter your Residence should it be necessary in an emergency to protect your health or safety or the health or safety of other residents. If relocation is recommended by the Medical Director or your attending physician, we will request that you relocate to another residence within the Community, or to the Community Health Center or a Comparable Facility (as defined in Paragraph 4.2), or to a hospital or other health care facility for the protection of your health or safety or for the health or safety of the other residents of the Community.

**3.10 Alterations by You.** You may not undertake any alterations to your Residence without our prior written approval. Said alterations will be set forth in a separate addendum to this Agreement, signed by you and us.

**3.11 Condition of Residence.** Upon vacating the Residence, you agree to leave it in good and clean condition. You shall be liable to us for any charges incurred to restore your Residence to good and clean condition, except for normal wear and tear.

**3.12 Rights of Second Single Resident.** When two Joint Residents reside in a single Residence under this Agreement, upon the death or permanent relocation of one Resident to a different level of care at the Community, or other inability of that Resident to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the terms of this Agreement and shall pay the Monthly Fee.

**3.13 Smoke-Free Community.** The Community is a smoke-free community, pursuant to its Smoke-Free Community Policy (a copy of which is available upon request), wherein the campus and buildings have been designated as "smoke free". Smoking (including E-Cigarettes) is not allowed by residents, guests, staff, and business invitees in any part of the Community (except in designated outdoor areas), including, but not limited to, the residences, the Community Health Center (including the assisted living facility, memory care unit, and the nursing facility), hallways, dining rooms, public restrooms, lounge areas, reception areas, waiting rooms, courtyards, entrances, walking paths, driveways, and any other common areas of the Community. Outside designated smoking areas will be posted. Violation of the Smoke-Free Community Policy can result in our

cancellation of this Agreement for just cause as outlined in Paragraph 8.1 hereof.

**3.14 Firearms Policy.** The Community has adopted a policy governing the possession of firearms at the Community. Firearms need to be registered with the Community and properly secured. In the event that you are unable to safely maintain a firearm, we will contact your designated power of attorney, legal representative or family member to remove any firearms from your Residence.

#### **4. THE COMMUNITY HEALTH CENTER.**

**4.1 Description.** The Community Health Center is the portion of the Community which is licensed to provide three levels of care: assisted living care, memory care, and nursing care (collectively "Health Center Level Services"). The Community Health Center is staffed by licensed nursing personnel 24 hours a day.

**4.2 Alternate Accommodations.** You will be given priority over non-residents for admission to the Community Health Center. In the event the Community Health Center is fully occupied when you are determined to need such care, you agree to relocate to an alternate health care facility that provides services similar to the Community Health Center or to another care facility licensed to provide the appropriate care you need (a "Comparable Facility") until an appropriate space becomes available for you at the Community. We will not be responsible for the charges associated with the Comparable Facility. Upon your relocation to a Comparable Facility, you shall continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

**4.3 Clinic.** The Clinic is available for certain examinations,

consultations, tests and appointments. Such services will be at an Extra Charge to you.

**4.4 Six (6) Days of Assisted Living, Memory Care or Nursing Care.** You are eligible to receive a total of six (6) days each year of either assisted living care, memory care or nursing care in the Community Health Center while you are a resident of your Residence. In the case of Joint Residents, each of you will receive six (6) days, but the days cannot be combined and used by only one of you. Such six (6) days renews on an annual basis and does not accumulate. You are required to pay the charges for physician services and any additional health services as outlined in Paragraph 4.10. Once you are permanently assigned to assisted living, memory care or nursing care in the Community Health Center or Comparable Facility, you no longer qualify for the six (6) free days of assisted living, memory care or nursing care and will be required to pay the per diem charge for such care. **[NOTE: The six (6) days of care is a combined annual total for assisted living, memory care and nursing care at the Community.]**

**4.5 Transfer to Health Center Level Services.** In the event your physical or mental health is determined by us to be appropriate for Health Center Level Services, you agree to relocate to the Community Health Center or a Comparable Facility. Such a determination will be made by us after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

**4.6 Temporary Relocation to the Community Health Center.** In the event you require temporary care in the Community Health Center (beyond the six (6) days of care as outlined in Paragraph 4.4, if applicable), you will pay the per diem

charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 4.10. In addition, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above.

**4.7 Permanent Relocation to Health Center Level Services.** In the event you require permanent care in the Community Health Center (beyond the six (6) days of care as outlined in Paragraph 4.4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 4.10. If you are determined appropriate for Health Center Level Services, and are permanently relocated to the Community Health Center or a Comparable Facility, you will be required to release your Residence to us, and remove all of your personal property from the Residence and from any storage unit as outlined in Paragraph 3.7.2. We shall have the right to reassign the Residence for occupancy by others except as provided in Paragraph 3.12. Release of the Residence due to your permanent relocation to the Community Health Center or to a Comparable Facility does not qualify you for a refund of the Entrance Fee, unless this Agreement is canceled. Subject to the terms and conditions of this Agreement, you will continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

**4.8 Relocation within the Community Health Center.** We reserve the right to relocate you to a different level of care within the Community Health Center if you require such care. Such relocation will be made after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal

representative, and you to the extent possible.

**4.9 Return to Residence.** If we subsequently determine, in consultation with your attending physician, your personal representative and you to the extent possible, that you can resume occupancy in a residence equivalent to the residence you previously occupied, you shall have the right to relocate to such equivalent residence as soon as one is available. Upon reoccupying a residence, your Monthly Fee will be based on the then-current Monthly Fee for the residence.

**4.10 Medical Director, Attending Physician, and Additional Health Services.** We have designated a licensed physician to serve as Medical Director of the Community Health Center. You are required to have a local attending physician. You may engage the services of the Medical Director at your own expense. If your personal physician will be providing you with services in the Community Health Center, he/she may do so upon providing us with his/her credentials and with proof of liability insurance, and he/she agrees to abide by our policies and procedures. We will not be responsible for the charges for medical treatment or services by the Medical Director or your attending physician, nor will we be responsible for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

**4.11 Advanced Payment for Medical Treatment.** In the event we incur or advance payment for your medical treatment or for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment (even in the event such medical care is given at the direction of your attending physician or the

Medical Director without your prior approval), you shall promptly reimburse us for such payments. Upon cancellation of this Agreement for any reason, any amounts due to us under this Paragraph 4.11 shall be offset against any refund of the Entrance Fee.

**4.12 Medicare and Health Insurance.** The Community Health Center has received Medicare certification on six (6) of its nursing beds. When eligible, you are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility. You shall furnish to us such evidence of coverage as we may from time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in the Community Health Center or a Comparable Facility. If you are eligible to receive the six (6) days of nursing care in the Community Health Center as provided in Paragraph 4.4 and your stay in the Community Health Center is a Medicare-qualified stay, such six (6) days will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B and acceptable supplemental health insurance or equivalent insurance coverage.

If you are not eligible for Medicare, you shall maintain health insurance coverage acceptable to us and shall furnish us with evidence of such coverage upon our request. Should your health insurance not fully cover your stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each admission and stay in the Community Health Center or a Comparable Facility.

If failure to maintain Medicare Part A, Medicare Part B, supplemental health insurance or other health insurance coverage causes depletion of your resources and impairs your ability to meet your financial obligations, we need not defer your financial obligations to us as outlined in Paragraph 6.1, and we retain the right to cancel the Residency Agreement as provided in Section 8.

**4.13 Managed Care.** If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:

**4.13.1 Participating Provider.** If the Community Health Center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, the Community agrees to be reimbursed at the rate negotiated with your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with

Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 4.10.

**4.13.2 Not a Participating Provider.** If the Community Health Center is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all charges for health care services. In addition, while receiving health care services at the managed care participating provider, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above. Such a stay at a managed care participating provider will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable.

**4.13.3 Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we will attempt to negotiate a reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. You will continue to pay

the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 4.10.

**4.13.4 No Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive nursing care in the Community Health Center during a Medicare-qualified stay, then each day of your stay in the Community Health Center will reduce by one day the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. During any such Medicare-qualified stay in the Community Health Center, you agree that you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above and any charges for physician services and any additional health services as outlined in Paragraph 4.10. If at any time during any such Medicare-qualified stay in the Community Health Center you are no longer eligible to receive any of the days of care provided for in Paragraph 4.4, then you agree to pay the per diem charge for your care in the Community Health Center, the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, and any charges for physician services and any additional health services as outlined in Paragraph 4.10.

**4.13.5 Post Medicare-Qualified Stay.** At the conclusion of each such Medicare-qualified

stay, you will be entitled to care in the Community Health Center in accordance with the terms of this Agreement other than as provided in this Paragraph 4.13, as adjusted to reflect any reduction during such stay in the number of days of care that you are eligible to receive without additional charge as provided in Paragraph 4.4, as applicable.

**4.14 Long-Term Care Insurance.** We will use reasonable efforts to assist you in working with your long-term care insurance provider to obtain the benefits to which you may be entitled.

**4.15 Transfer to Hospital or Other Care Facility.** If we determine after consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond that which the Community Health Center is licensed to provide, you will be transferred to a hospital or other care facility. Our staff will not accompany you to the hospital or other facility. We shall not be responsible for any charges associated with the transfer and health care expenses or charges incurred by you after such a transfer. You shall continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5 above.

**4.16 Community Health Center Admission Agreement.** If you require care in the Community Health Center, you agree to enter into a separate admission agreement for the appropriate level of care, which will be signed by you and us.

**4.17 Under Age 62.** If you are under the age of 62 when you occupy your Residence under this Agreement, you are not eligible to receive the six (6) days of care in the Community Health Center as described in Paragraph 4.4 until you attain

the age of 62. During this time, you will be entitled to Health Center Level Services at the then-current per diem charge being charged to nonresidents until age 62.

## **5. REPRESENTATIONS.**

**5.1 Our Representations.** We represent and warrant that we are a nonprofit corporation. We are exempt from payment of Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. We are affiliated with the North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction. The North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction is not responsible for our financial or contractual obligations.

**5.2 Your Representations.** You represent and warrant that the representations made in the application for residency, your personal health history, and the confidential financial statement are true and correct and may be relied upon by us as a basis for your acceptance for residency at the Community. You also represent and warrant that you have not made any gift of your property in contemplation of the execution of this Agreement.

## **6. PROMISES.**

**6.1 Our Promises.** It is and shall be our declared policy to operate as a nonprofit organization. We will not cancel this Agreement without just cause as specified in Section 8. Further, we shall not cancel this Agreement solely by reason of your financial inability to pay the full Monthly Fee or the per diem charge for care in the Community Health Center, provided you have met all "spend-down" provisions of eligibility for the Medicaid program and any public assistance funds. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder

by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. You shall be permitted to remain at the Community for a reduced fee based on your ability to pay for as long as you establish facts to justify deferment of such charges and when deferment of such charges can, in our sole discretion, be granted without impairing our ability to operate the Community on a sound financial basis for the benefit of all residents.

**6.2 Your Promises.** You agree to comply with all policies and procedures of the Community as now existing or as hereafter amended; to pay the Entrance Fee, Monthly Fee, and any other charges as provided in this Agreement; to not impair your ability to meet the financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance, without our consent; to apply for public assistance funds (if available) and/or Medicaid (if the Community Health Center becomes Medicaid certified) if you should need financial assistance as outlined in Paragraph 6.1 above while receiving Health Center Level Services; and to abide by all other terms of this Agreement.

## **7. CANCELLATION BY RESIDENT.**

**7.1 Right of Rescission.** Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. However, if you occupy the

Residence during the rescission period and then rescind this Agreement, you will only be charged a Monthly Fee for the period of time that you actually occupied the Residence. Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 9.2.

**7.2 Cancellation Prior to Occupancy.** You may cancel this Agreement for any reason at any time before you move into the Community by giving us written notice signed by you (both of you in the case of Joint Residents). Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 9.3 or 9.4. If you die prior to occupying the Residence or if, on account of illness, injury or incapacity, you are precluded from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel upon our receipt of notice of your death, illness, injury or incapacity. If you elect to cancel this Agreement because of a substantial change in your physical, mental, or financial condition prior to occupancy, then this Agreement will cancel upon written notice from you. Refund of the Entrance Fee shall be as outlined in Paragraph 9.3.

**7.3 Cancellation Due to Residence Not Available.** You may cancel this Agreement upon written notice to us if we have not made the Residence available to you for occupancy within two (2) years from the date we execute this Agreement. Refund of the Entrance Fee shall be as outlined in Paragraph 9.7.

**7.4 Cancellation After Occupancy.** You may cancel this Agreement for any reason after moving into the Community by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must remove your personal property from

the Residence and from any storage unit within said thirty (30) day notice period as outlined in Paragraph 3.7.3. You are obligated to pay the Monthly Fee during the thirty (30) days, and thereafter if the Residence has not been released to us in accordance with Paragraph 1.5.3 above. Refund of the Entrance Fee shall be as outlined in Paragraph 9.5.

**7.5 Cancellation Due to Death After Occupancy.** This Agreement will automatically cancel upon your death (unless you have a surviving Joint Resident). Your estate must remove your personal property from the Residence and from any storage unit within thirty (30) days after your death as outlined in Paragraph 3.7.1. Your estate will be obligated to pay the Monthly Fee as outlined in Paragraph 1.5.1 above. Refund of the Entrance Fee shall be as outlined in Paragraph 9.5.

## **8. CANCELLATION BY UMRH.**

**8.1 Cancellation Upon Notice.** We may, upon notice and opportunity to cure as hereinafter provided, cancel this Agreement for just cause. Just cause shall include the occurrence of any of the following events (hereinafter referred to as a "Default"):

### **8.1.1 Noncompliance.**

You do not comply with the terms of this Agreement or the published operating procedures, covenants, rules, regulations, and policies now existing or later amended by us.

### **8.1.2 Misrepresentation.**

You misrepresent yourself or fail to disclose information during the residency process.

**8.1.3 Entrance Fee Installments.** You fail to pay the Entrance fee installments as outlined in

Paragraphs 1.2.1, 1.2.2, 1.2.3 and 1.2.4 when due.

**8.1.4 Nonpayment.** You fail to pay any charges to us, subject to the provisions of Paragraph 6.1, within forty-five (45) days of the date when such charges are due.

**8.1.5 Threat to Health or Safety.** Your health status or behavior constitutes a substantial threat to the health, safety or peace of yourself, other residents, or others including your refusal to consent to relocation, or behavior that would result in physical damage to the property of the Community or others.

**8.1.6 Change in Condition.** There is a major change in your physical or mental condition and your condition cannot be cared for in the Community Health Center within the limits of our license.

**8.2 Default Notice.** Prior to cancellation for any Default described in Paragraph 8.1.1, 8.1.2, 8.1.3 or 8.1.4 above, we shall give you notice in writing of such Default, and you shall have at least thirty (30) days thereafter within which to correct such Default. No Default shall eliminate your obligation to pay the Monthly Fee. If you correct such Default within such time, this Agreement shall not be canceled. If you fail to correct such Default within such time, this Agreement shall cancel at the expiration of such thirty (30) days.

In the event of the occurrence of a Default described in Paragraph 8.1.5 or 8.1.6 above, if we or the Medical Director determines that either the giving of notice of Default or the lapse of time as above provided might be detrimental to you or others, then such notice and/or waiting period prior to cancellation shall not be



required. Also, in the event of the occurrence of a Default described in Paragraph 8.1.5 or 8.1.6, we are expressly authorized by you to transfer you to an appropriate hospital or other facility, and we will promptly notify your personal representative or attending physician.

## **9. REFUND OF ENTRANCE FEE.**

**9.1 Nonacceptance by Us.** If we do not accept you for residency at the Community, the full amount of the Entrance Fee you have paid will be promptly refunded to you, without interest.

**9.2 Right of Rescission.** If you rescind this Agreement as provided in Paragraph 7.1, you shall receive a full refund of the portion of the Entrance Fee paid by you, without interest, within sixty (60) days of our receipt of the written notice of rescission.

**9.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, or Incapacity.** If, prior to occupancy and after your right of rescission period has expired, you die or you cancel this Agreement because of illness, injury or incapacity, you or your estate will receive a refund of the portion of the Entrance Fee you have paid, without interest, less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days following (i) the date of automatic cancellation of this Agreement; or (ii) the date of our receipt of your written notice of cancellation.

**9.4 Cancellation Prior to Occupancy for Other Reasons.** If you cancel this Agreement for reasons other than those stated in Paragraphs 9.2 or 9.3 above, you shall receive a refund of the Entrance Fee paid, less a non-refundable portion of the

Entrance Fee equal to Two Thousand Dollars (\$2,000) and less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid when the Residence is reserved by a new resident and the new resident has paid the appropriate Entrance Fee installments to equal the Entrance Fee installments to be refunded to you.

**9.5 Cancellation After Occupancy.** In the event you or we cancel this Agreement after occupancy or in the event of your death (the death of the survivor in the case of Joint Residents), you or your estate will be reimbursed the amount of the Entrance Fee previously paid by you, less two percent (2%) for each month of residency or portion thereof, for up to fifty (50) months. After fifty (50) months of occupancy, no refund of the Entrance Fee will be made. Said refund, if any, will be paid, without interest, at such time as a new resident has paid the full amount of the Entrance Fee for your Residence or within two (2) years from the date of cancellation, whichever occurs first.

**9.6 Offset Against Entrance Fee Refund.** In the event of cancellation of this Agreement as described in Paragraph 9.5 above, we will offset against any Entrance Fee refund due to you or your estate the following:

**9.6.1** The amount of any unpaid Monthly Fees, prorated Monthly Fees for the period of time the Residence was occupied (which shall include the period of time until you or your personal representative removes all of your personal property from the Residence and from any storage unit) after cancellation of this Agreement, any Extra Charges, or other charges

deferred by us on your behalf under Paragraph 6.1; and

**9.6.2** Any health care expenses incurred on your behalf and other amounts payable to us, which remain unreimbursed; and

**9.6.3** Any charges incurred to restore the Residence to good condition, normal wear and tear excepted, as outlined in Paragraph 3.11; and

**9.6.4** Any charges incurred as a result of options and custom features added to the Residence at your request as outlined in Exhibit A or in a separate addendum to this Agreement.

**9.7 Availability of the Residence.** If the Residence is not available to you for occupancy within two (2) years from the date we execute this Agreement, you may terminate this Agreement upon written notice to us. In such event, the full amount of the Entrance Fee you have paid will be refunded to you, without interest, within thirty (30) days from the date we receive your notice of termination.

## **10. MISCELLANEOUS.**

**10.1 Nature of Rights.** You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 9; (ii) this Agreement and your contractual right to occupy the Community will exist and continue to exist during your lifetime unless canceled as provided herein; (iii) this Agreement grants you the right to occupy and use space in the Community but

does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement grants to us complete decision-making authority regarding the management and operation of the Community.

**10.2 Release.** We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from any such liability. You may want to obtain at your own expense insurance to protect against such losses.

**10.3 Amendment.** This Agreement may be amended by agreement of the parties to this Agreement. No amendment of this Agreement shall be valid unless in writing and signed by you and us.

**10.4 Law Changes.** This Agreement may be modified by us at any time in order to comply with applicable laws or regulations. Further, we may change any part of the Community, including the Residence, to meet the requirements of any applicable law or regulation.

**10.5 Entire Agreement.** This Agreement and any addenda or amendments thereto contain our entire understanding with respect to your residency at the Community.

**10.6 Monthly Statement.** You shall receive a monthly statement from us showing the total amount of fees and other charges owed by you, which shall be paid

upon receipt and by no later than the fifteenth (15<sup>th</sup>) day of each month.

**10.7 Responsible Party for Business and Financial Decision Making.** Prior to assuming residency at the Community, you agree to execute and deliver to us a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Community.

**10.8 Disposition of Furniture, Possessions, and Property.** You agree to make provision by Will or otherwise for the disposition of all of your furniture, property, and possessions located on the premises of the Community within sixty (60) days after the date of residency.

**10.9 Nonwaiver.** If we fail to insist in any instance upon performance of any of the terms, promises, or conditions of this Agreement, it shall not be construed as a waiver or relinquishment of the future performance of any such terms, promises, or conditions, but your obligation with respect to such future performances shall continue in full force and effect.

**10.10 Notices.** Any notice required to be given to us under this Agreement shall be in writing and sent certified mail, return receipt requested, with all postage and charges prepaid, or hand-delivered to the Executive Director of the Community at 100 Hickory Street; Greenville, North Carolina 27858. Such notices shall be dated and signed.

Any notice required to be given to you shall be delivered to you at the Community or at such other place as you shall designate to us in writing and sent by certified mail or hand delivered. All notices mailed in accordance with this Paragraph shall be deemed to be given when mailed whether or not they are actually received.

**10.11 Indemnity.** We will not be liable for and you agree to indemnify, defend and hold us harmless from claims, damages and expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to, or in any way connected with your negligent or intentional act or omission or that of your guests.

**10.12 Severability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

**10.13 Subordination.** You agree that all your rights under this Agreement will always be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Community, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender(s) such further written evidence of such subordination as such lender(s) may reasonably require. Except to the extent of your obligation to pay the Monthly Fee and Second Person Monthly Fee, you shall not be liable for any such indebtedness.

**10.14 Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. This Agreement will

become effective upon acceptance and signature by us.

**10.15 Resident.** In the case of Joint Residents, the rights and obligations of each are joint and several, except as the context of this Agreement otherwise requires.

**10.16 Reimbursement for Loss or Damage.** You or your responsible party, if applicable, agree to reimburse us for any loss or damage to the Community caused by your intentional, careless, or negligent acts or omissions or that of your guests.

**10.17 Charges for Collection.** You agree to reimburse us for any charges we incur to collect any unpaid amounts you or estate owes to us under this Agreement.

**10.18 Sale or Transfers of Interest.** We may sell or transfer our interest in the Community provided the buyer will agree to assume this Agreement and all other existing Residency Agreements. Upon the assumption of this Agreement by a buyer of the Community and its agreement to perform this Agreement and all other agreements, we will have no further obligation hereunder. Your signature hereto constitutes your consent and approval of any such future transaction.

**10.19 Private Employee of Resident.** If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency (personal service provider). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home health agency. In any event, you must comply with our policy regarding personal service providers, and ensure that your private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct set forth in our policy. If you fail to

follow or enforce the policies and rules set forth therein, then we may elect, in our sole option, to cancel this Agreement.

**10.20 Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement as more fully explained in our Disclosure Statement.

**10.21 Management.** We have engaged the services of Life Care Services LLC ("LCS") to manage Cypress Glen. We are not affiliated with LCS nor is LCS responsible for our contractual or financial obligations or the contractual or financial obligations of Cypress Glen.

**10.22 Governing Law.** This Agreement will be governed, interpreted and construed according to the laws of the State of North Carolina.

**10.23 Survival of Representations and Obligations.** Your representations and obligations under this Agreement, including but not limited to, your obligation to pay all sums owed by you to us, and your agreement to indemnify us as set forth in Paragraph 10.11, and our representations and obligations under this Agreement, will survive any cancellation of your residency in the Community, regardless of the reason for such cancellation and regardless of whether it is initiated by you or by us.

## **11. MEDIATION AND ARBITRATION.**

**11.1 Mediation.** In the event a dispute, claim or controversy of any kind arises between the parties – except for those disputes, claims or controversies arising under Paragraph 11.3 below – that cannot be resolved by mutual agreement, the parties agree to submit such dispute, claim or controversy to a neutral mediator for possible resolution. The parties will jointly

agree on a neutral mediator. Each party shall submit all evidence or information in writing to the mediator in support of its contentions or allegations and any defense either party may have with respect to the dispute, claim or controversy. Each party shall have the right to a hearing before the mediator and to personally present information pertinent to such dispute, claim or controversy. The mediator shall assist each party, in an unbiased manner, in reaching an amicable agreement regarding the dispute, claim or controversy. If an amicable agreement is not reached, or if either party fails or refuses to negotiate or mediate in good faith to resolve the matter, or if a neutral mediator cannot be agreed upon between the parties, then the parties agree to submit such dispute, claim or controversy to an arbitration process as outlined below.

**11.2 Arbitration.** In the event a dispute, claim or controversy of any kind arising out of or relating to this Agreement – except for those disputes, claims or controversies arising under Paragraph 11.3 below – cannot be resolved through mediation as described in Paragraph 11.1 above, the parties agree that said dispute, claim, or controversy will be submitted to and determined by arbitration in Pitt County, North Carolina in accordance with the Federal Arbitration Act. You and we will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in state law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all residents of the Community provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution

urged by us was not reasonable. If the issue affects more than one (1) resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us. This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

**11.3 Voluntary Arbitration of Negligent Health Care Claims.** For all claims for damages in personal injury or wrongful death actions, based on alleged negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C. G.S. §90-21.60(b) prohibits any contract from requiring prior agreement of the parties to arbitrate negligent health care claims. Thus, Paragraphs 11.1 and 11.2 do not apply to personal injury or wrongful death actions based on alleged negligence in the provision of health care. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

[Signature Page Follows]

You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement dated \_\_\_\_\_, 20\_\_\_\_.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

**THE UNITED METHODIST  
RETIREMENT HOMES,  
INCORPORATED  
d/b/a Cypress Glen Retirement  
Community**

\_\_\_\_\_  
RESIDENT

By \_\_\_\_\_  
Executive Director

\_\_\_\_\_  
Witness

Date: \_\_\_\_\_

\_\_\_\_\_  
RESIDENT

By \_\_\_\_\_  
Authorized Agent of UMRH

\_\_\_\_\_  
Witness

Date: \_\_\_\_\_

Attachment: Exhibit A

Standard Residency Agreement - Cottage or  
Villa to be Constructed (2018-02-05)  
CLEAN.docx

**Exhibit A**

<b>Options and Custom Features Added at Resident's Request:</b>	<b>Amount</b>
	\$
	\$
	\$
	\$
	\$
	\$
<b>Total</b>	\$

**Initials** \_\_\_\_\_  
**Community**

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

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

WBD(US) 41242208v3



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**50 Percent Return of Capital™  
Residency Agreement  
(For Cottage or Villa To Be Constructed)**

02/05/2018





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Exhibit A – Options and Custom Features Added at Resident's Request

## GLOSSARY

The following terms are described as used in the accompanying Residency Agreement. Reference to the Residency Agreement and the context in which the terms are used is recommended to provide a fuller understanding of each of the terms:

**"Agreement"** means the Residency Agreement, entered into between the Resident and The United Methodist Retirement Homes, Incorporated, which outlines the contractual obligations of both parties.

**"Community"** means the continuing care retirement community known as "Cypress Glen Retirement Community," including all of the residences, common areas, and site amenities.

**"Entrance Fee"** means payment that assures a resident a place at the Community for life as long as the resident complies with terms of this Agreement. At the time the resident makes application for residency at the Community, the resident will sign a Residency Agreement to reserve the residence selected and will pay an Entrance Fee deposit to the Community. The balance of the Entrance Fee will be paid in incremental percentages on set dates with the remaining balance paid on the earlier of (i) occupancy or (ii) 30 days from the date that you are notified that the residence is ready for occupancy. Specific information is located in Paragraph 1.2 of this Agreement.

**"Extra Charges"** means the additional fees required to be paid for the additional services and amenities requested by Resident, as set forth in Paragraph 2.2 of this Agreement.

**"Health Center"** means the portion of the Community, which is licensed to provide three levels of care: assisted living care, memory care, and nursing care, as described in Section 4 of the Agreement.

**"Monthly Fee"** means that fee payable each month by the Resident as set forth in Paragraphs 1.3 and 1.4 of the Agreement, in consideration for the services and amenities provided to the residents of the Community described in Paragraph 2.1 of this Agreement. If there are Joint Residents under this Agreement, the Monthly Fee will include a "Second Person Monthly Fee."

**"Residence"** means the cottage to be constructed at the Community identified in the introductory paragraph of the Agreement, in which the Resident has the right to live pursuant to this Agreement in exchange for paying the Entrance Fee and the Monthly Fee.

**"Resident" or "you"** means the Resident(s) who sign this Agreement. Sometimes a second resident (if there are two of you) is referred to in this Agreement as the "Joint Resident." Further, both Residents may be referred to as "Joint Residents." Unless otherwise indicated, "you" refers to both of you if there are two of you.

**"Responsible Party"** refers to that person who may act on resident's behalf, including signing this Agreement.

**"The United Methodist Retirement Homes, Incorporated" or "we" or "our" or "us"** means the owner of the retirement community known as Cypress Glen Retirement Community, including all of the residences, common areas, and site amenities associated with these areas. The United Methodist Retirement Homes, Incorporated is a North Carolina non-profit corporation.



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**Residency Agreement  
50 Percent Return of Capital™  
(For Cottage or Villa To Be Constructed)**

**INTRODUCTION**

This 50 Percent Return of Capital™ Residency Agreement (For Cottage or Villa To Be Constructed) ("Agreement") is entered into by The United Methodist Retirement Homes, Incorporated ("UMRH," "we," "us," or "our") and \_\_\_\_\_ (individually or collectively, "you," "your," or "Resident"). Cypress Glen Retirement Community is a continuing care retirement community located at 100 Hickory Street; Greenville, NC 27858 ("Cypress Glen" or "Community").

We will provide residential housing for seniors along with a wide array of personal services and amenities outlined in this Agreement. Subject to the conditions contained in this Agreement, we agree to make available to you the Residence described as follows:

Residence Number \_\_\_\_\_  
Residence Style \_\_\_\_\_

You may select certain options and custom features in the Residence at an additional charge, which shall not be subject to any refund provision herein. Any such options and custom features selected and paid for by you will become our property. Such options and custom features must be approved by the Executive Director of the Community prior to adding them to the Residence. The Executive Director of the Community has consented to your request to add the options and custom features set forth on Exhibit A attached to this Agreement. You agree to pay the amount(s) set forth on Exhibit A to cover the charges for such items.

As a Resident of the Community, you are offered lifetime use of your Residence and lifetime access to the Community Health Center, subject to the terms and conditions of this Agreement.

To be accepted for residency, you must meet our residency criteria, which includes: having reached the age of 62 (or sharing your Residence with a Joint Resident who is 62 or older); financial guidelines; and the ability to live in a residence (with or without reasonable accommodation and/or reasonable modification) – all as outlined in our current residency policy.

The purpose of this Agreement is to set forth your rights and duties as a Resident of the Community and to delineate the services to be provided at the Community.

## **1. CHARGES FOR RESIDENCE AND PRIMARY SERVICES.**

**1.1 Application Fee.** Prior to or upon your execution of this Agreement, you will pay to us a non-refundable Application Fee of \$\_\_\_\_\_. The Application Fee will be used by us to process your application for residency.

**1.2 Entrance Fee.** In order to reside at the Community for life, subject to this Agreement, and to receive the services and amenities described below, you agree to pay to us (in addition to the Monthly Fee described below) an Entrance Fee in the amount of \$\_\_\_\_\_ (includes first and second person, if applicable). The total amount of the Entrance Fee shall be payable as follows:

**1.2.1** Ten percent (10%) of the total Entrance Fee is \$\_\_\_\_\_, less any previously paid Future Resident Fee (\$\_\_\_\_\_), equals \$\_\_\_\_\_, which amount is due and payable upon your execution of this Agreement.

**1.2.2** The balance of \$\_\_\_\_\_ (ninety percent (90%) of the Entrance Fee) shall be paid to us on the earlier of (i) the date you assume occupancy at the Community or (ii) within thirty (30) days from the date you are notified that the Residence is ready for occupancy.

**1.3 Monthly Fee.** You are obligated to begin paying a Monthly Fee (or a pro rata portion thereof) on the earlier of (i) the date you assume occupancy at the Community or (ii) within thirty (30) days from the date you are notified that the Residence is ready for occupancy. Thereafter, the Monthly Fee is due upon receipt of a statement from us and by no

later than the fifteenth (15<sup>th</sup>) of each month. The Monthly Fee is initially set at a specific amount that can be increased as described in Paragraph 1.6 below. A "Second Person Monthly Fee" shall become part of the Monthly Fee and shall be paid if two persons are Joint Residents under this Agreement. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component.

**1.4 Initial Monthly Fee.** The initial Monthly Fee payable by you is \$\_\_\_\_\_ per month and an additional \$\_\_\_\_\_ per month as a Second Person Monthly Fee component of the Monthly Fee if two persons reside as Joint Residents pursuant to this Agreement.

**1.5 Continuance of Monthly Fee.** Payment of the Monthly Fee will continue as follows:

**1.5.1** In the event of your death (in the case of Joint Residents, the death of the surviving Resident), until your estate removes all of your personal property from the Residence and from any storage unit.

**1.5.2** In the event of your permanent relocation to Health Center Level Services or Comparable Facility for Health Center Level Services (see definitions in Paragraphs 4.1 and 4.2), or to another care facility licensed to provide the appropriate care you need, until you or your personal representative removes all of your personal property from the Residence and from any storage unit.

**1.5.3** In the event of cancellation of this Agreement as outlined in Section 7 or 8, until expiration of the cancellation period and continues until you remove all of your personal property from the Residence and from any storage unit.

**1.6 Increase in Monthly Fee.** The Monthly Fee is paid to us to provide the services and amenities described in this Agreement and is intended to meet the expenses associated with the operation of the Community. We may increase the Monthly Fee (which includes the Second Person Monthly Fee where applicable) upon thirty (30) days' written notice if we, in our sole discretion, deem it necessary to meet the financial needs of the Community or to provide quality services to the Residents.

**1.7 Reduction in Monthly Fee Due to Absence.** Upon the request of the Resident, the Community will provide a reduction in the Monthly Fee when a Resident is absent from the Community, equal to the raw food costs determined through the Community's budgeting process, outlined as follows:

- Two (2) Meals a Day Plan: Must be absent from the Community for more than forty-five (45) consecutive days to qualify for the reduction. The reduction begins on day 46.
- Twenty-Five (25) Meals a Month Plan: Must be absent from the Community for more than ninety (90) consecutive days to qualify for the reduction. The reduction begins on day 91.

**1.8 Reserve Funds.** The amount of the Monthly Fee also is and will continue to be affected by our policy of maintaining

reserve funds for the financial security of the Community.

**1.9 Late Payment Charge.** We will charge a late payment charge in the amount of twenty-five dollars (\$25.00) if the Monthly Fees or any Extra Charges are not paid by the fifteenth (15<sup>th</sup>) day of the month. Balances over thirty (30) days old will be assessed a one percent (1%) interest charge per month. If we hire a collection agency or attorney to collect the Monthly Fee and Extra Charges past due from you, you are to pay any and all costs of collection, including reasonable attorney's fees, costs, and expenses associated with such collection efforts.

## **2. DESCRIPTION OF PRIMARY AND SUPPLEMENTAL SERVICES.**

**2.1 Services Provided for the Monthly Fee.** We will provide you, in consideration for the Monthly Fee referred to above, the following services and amenities at the Community:

- Dining allowance equal to two (2) meals per day for residents of A and B wings; three (3) meals per day for residents of the C wing; and twenty-five (25) meals per month for residents of the D wing, East wing, West wing, and cottages;
- Limited meal delivery to be provided when approved by authorized staff;
- Consultation and preparation of routine special diets;
- Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;
- Standard television cable system;
- Building janitor and maintenance;
- Grounds keeping;
- Weekly housekeeping services;

- Laundry facilities for residents in the A, B and C wings; washers and dryers provided in the D wing, East wing, West wing and cottages;
- Planned activities (social, cultural, recreational, educational, and spiritual) for those who wish to participate;
- Services of a chaplain;
- Services of a life enrichment director;
- Parking for residents and guests;
- Carpeting (except in kitchen and bath), unless some other floor surface has been installed;
- Kitchen facilities;
- Scheduled local transportation as published by us, including transportation to local medical facilities (non-emergency);
- Limited additional storage space for A, B, C, D, East and West wing apartments;
- Emergency call system, with 24-hour check-in;
- Smoke detectors;
- Security – 24 hours a day; and
- Six (6) days each year of assisted living, memory care or nursing care in the Community Health Center as outlined in Paragraph 4.4.

**2.2 Supplemental Services Provided for Extra Charge.** Supplemental services, when available, will be provided at Extra Charge and are described below. A list of Extra Charges for these supplemental services can be obtained from administration.

- Extra meals, depending upon a resident's dining allowance;
- Extended meal delivery as approved by authorized staff;
- Preparation of special diets (beyond those which are routine), as

prescribed by your attending physician;

- Additional housekeeping services;
- Guest accommodations, if available;
- Guest meals;
- Personal transportation and transportation for special events and group trips;
- Community Health Center services as outlined in Section 4 (including assisted living, memory care, nursing care and the services of the Clinic);
- Wireless Internet; and
- Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, etc.) as outlined in Paragraph 4.10.

### **3. TERMS OF RESIDENCY.**

**3.1 Use of the Residence.** The Residence is for living only and will not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions. This Agreement is not a lease, and grants you only the right to live in the Residence, access to other facilities of the Community, and to available services and amenities, subject to the terms and conditions of this Agreement.

**3.2 Duration of Your Right to Occupy the Residence.** You may reside in your Residence for as long as you (or either of you in the case of Joint Residents) live unless you (both of you in the case of Joint Residents) are not capable of occupancy as set forth in our residency policy, or this Agreement is canceled by you or by us. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that you need assisted living services, memory care services, or



nursing care services, you will be requested to relocate to the Community Health Center or Comparable Facility (as defined in Paragraph 4.2).

### **3.3 Occupants of the Residence.**

Except as hereinafter provided, no person other than you (both of you in the case of Joint Residents) may occupy the Residence. In the event that a second person who is not a party to this Agreement is accepted for residency in the Residence after the date we sign this Agreement (said acceptance to be in accordance with our current residency policy), an Entrance Fee in an amount to be determined by us (which will be no more than one-half of the then-current Entrance Fee for the Residence) shall be paid upon residency, and each month thereafter, the then-current Second Person Monthly Fee shall be paid as part of the Monthly Fee. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than thirty (30) days, except with our express written approval.

If the Resident marries a person who is also a resident of the Community, and should they decide to occupy one residence as Joint Residents, they must declare which residence will be occupied and which residence will be released. The refund due for the released residence, if any, will be provided as described in Paragraph 9.5 of this Agreement.

**3.4 Guests.** Guests are welcome to stay in your Residence for short stays not to exceed ten (10) consecutive days. Such stay shall not, in the opinion of the Executive Director, adversely affect the operation of the Community or be inconsistent with the welfare of our residents.

**3.5 Release.** We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from such liability.

**3.6 Insurance.** Our insurance does not cover your personal property or your liability. It is recommended that you carry personal property insurance and liability insurance at your own expense to cover against any loss or damage to your personal property or to the property of others caused by your negligence or that of your guests. If requested by us, you agree to provide us with proof of such insurance coverage.

### **3.7 Removal and Storage of Resident's Personal Property.**

**3.7.1** Within thirty (30) days following the date of your death (the death of the surviving Resident in the case of Joint Residents). If your personal property is not removed from the Residence and from any storage unit within such thirty (30) days, we will continue to charge your estate the Monthly Fee as outlined in Paragraph 1.5.1 above, or we may remove and store such personal property at the expense and risk of your estate. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated. We will only allow the executor(s) named in your Will to remove or dispose of your personal property in your living accommodation and any related storage unit at the Community. Members of your family or those to whom you have granted power of attorney will not be

allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

**3.7.2** Within thirty (30) days following the date notice is delivered to you of your permanent relocation to the Community Health Center or Comparable Facility for Health Center Level Services (see definitions in Paragraphs 4.1 and 4.2), or to another care facility licensed to provide the appropriate care you need. If your personal property is not removed from your Residence and from any storage unit within such thirty (30) days, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.2 above, or we may remove and store such personal property at your expense and risk.

**3.7.3** At the end of the cancellation period outlined in Section 7 or 8. If your personal property is not removed from your Residence and from any storage unit by the end of the cancellation period, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.3 above, or we may remove and store such personal property at your expense and risk. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated.

**3.8 Furnishings.** Furnishings within the Residence will not be provided by us except as stated in Paragraph 2.1. Furnishings provided by you shall not be such as to interfere with your health, safety

or general welfare, or that of other residents or others.

**3.9 Emergency Entry and Relocation.** We may enter your Residence should it be necessary in an emergency to protect your health or safety or the health or safety of other residents. If relocation is recommended by the Medical Director or your attending physician, we will request that you relocate to another residence within the Community, or to the Community Health Center or a Comparable Facility (as defined in Paragraph 4.2), or to a hospital or other health care facility for the protection of your health or safety or for the health or safety of the other residents of the Community.

**3.10 Alterations by You.** You may not undertake any alterations to your Residence without our prior written approval. Said alterations will be set forth in a separate addendum to this Agreement, signed by you and us.

**3.11 Condition of Residence.** Upon vacating the Residence, you agree to leave it in good and clean condition. You shall be liable to us for any charges incurred to restore your Residence to good and clean condition, except for normal wear and tear.

**3.12 Rights of Second Single Resident.** When two Joint Residents reside in a single Residence under this Agreement, upon the death or permanent relocation of one Resident to a different level of care at the Community, or other inability of that Resident to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the terms of this Agreement and shall pay the Monthly Fee.

### **3.13 Smoke-Free Community.**

The Community is a smoke-free community, pursuant to its Smoke-Free Community Policy (a copy of which is available upon request), wherein the campus and buildings have been designated as "smoke free". Smoking (including E-Cigarettes) is not allowed by residents, guests, staff, and business invitees in any part of the Community (except in designated outdoor areas), including, but not limited to, the residences, the Community Health Center (including the assisted living facility, memory care unit, and the nursing facility), hallways, dining rooms, public restrooms, lounge areas, reception areas, waiting rooms, courtyards, entrances, walking paths, driveways, and any other common areas of the Community. Outside designated smoking areas will be posted. Violation of the Smoke-Free Community Policy can result in our cancellation of this Agreement for just cause as outlined in Paragraph 8.1 hereof.

**3.14 Firearms Policy.** The Community has adopted a policy governing the possession of firearms at the Community. Firearms need to be registered with the Community and properly secured. In the event that you are unable to safely maintain a firearm, we will contact your designated power of attorney, legal representative or family member to remove any firearms from your Residence.

## **4. THE COMMUNITY HEALTH CENTER.**

**4.1 Description.** The Community Health Center is the portion of the Community which is licensed to provide three levels of care: assisted living care, memory care, and nursing care (collectively "Health Center Level Services"). The Community Health Center is staffed by licensed nursing personnel 24 hours a day.

### **4.2 Alternate Accommodations.**

You will be given priority over non-residents for admission to the Community Health Center. In the event the Community Health Center is fully occupied when you are determined to need such care, you agree to relocate to an alternate health care facility that provides services similar to the Community Health Center or to another care facility licensed to provide the appropriate care you need (a "Comparable Facility") until an appropriate space becomes available for you at the Community. We will not be responsible for the charges associated with the Comparable Facility. Upon your relocation to a Comparable Facility, you shall continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

**4.3 Clinic.** The Clinic is available for certain examinations, consultations, tests and appointments. Such services will be at an Extra Charge to you.

**4.4 Six (6) Days of Assisted Living, Memory Care or Nursing Care.** You are eligible to receive a total of six (6) days each year of either assisted living care, memory care or nursing care in the Community Health Center while you are a resident of your Residence. In the case of Joint Residents, each of you will receive six (6) days, but the days cannot be combined and used by only one of you. Such six (6) days renews on an annual basis and does not accumulate. You are required to pay the charges for physician services and any additional health services as outlined in Paragraph 4.10. Once you are permanently assigned to assisted living, memory care or nursing care in the Community Health Center or Comparable Facility, you no longer qualify for the six (6) free days of assisted living, memory care or nursing care and will be required to pay the per diem charge for such care. **[NOTE: The six (6)**

**days of care is a combined annual total for assisted living, memory care and nursing care at the Community.]**

**4.5 Transfer to Health Center Level Services.** In the event your physical or mental health is determined by us to be appropriate for Health Center Level Services, you agree to relocate to the Community Health Center or a Comparable Facility. Such a determination will be made by us after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

**4.6 Temporary Relocation to the Community Health Center.** In the event you require temporary care in the Community Health Center (beyond the six (6) days of care as outlined in Paragraph 4.4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 4.10. In addition, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above.

**4.7 Permanent Relocation to Health Center Level Services.** In the event you require permanent care in the Community Health Center (beyond the six (6) days of care as outlined in Paragraph 4.4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 4.10. If you are determined appropriate for Health Center Level Services, and are permanently relocated to the Community Health Center or a Comparable Facility, you will be required to release your Residence to us, and

remove all of your personal property from the Residence and from any storage unit as outlined in Paragraph 3.7.2. We shall have the right to reassign the Residence for occupancy by others except as provided in Paragraph 3.12. Release of the Residence due to your permanent relocation to the Community Health Center or to a Comparable Facility does not qualify you for a refund of the Entrance Fee, unless this Agreement is canceled. Subject to the terms and conditions of this Agreement, you will continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

**4.8 Relocation within the Community Health Center.** We reserve the right to relocate you to a different level of care within the Community Health Center if you require such care. Such relocation will be made after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

**4.9 Return to Residence.** If we subsequently determine, in consultation with your attending physician, your personal representative and you to the extent possible, that you can resume occupancy in a residence equivalent to the residence you previously occupied, you shall have the right to relocate to such equivalent residence as soon as one is available. Upon reoccupying a residence, your Monthly Fee will be based on the then-current Monthly Fee for the residence.

**4.10 Medical Director, Attending Physician, and Additional Health Services.** We have designated a licensed physician to serve as Medical Director of the Community Health Center. You are required to have a local attending

physician. You may engage the services of the Medical Director at your own expense. If your personal physician will be providing you with services in the Community Health Center, he/she may do so upon providing us with his/her credentials and with proof of liability insurance, and he/she agrees to abide by our policies and procedures. We will not be responsible for the charges for medical treatment or services by the Medical Director or your attending physician, nor will we be responsible for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

**4.11 Advanced Payment for Medical Treatment.** In the event we incur or advance payment for your medical treatment or for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment (even in the event such medical care is given at the direction of your attending physician or the Medical Director without your prior approval), you shall promptly reimburse us for such payments. Upon cancellation of this Agreement for any reason, any amounts due to us under this Paragraph 4.11 shall be offset against any refund of the Entrance Fee.

**4.12 Medicare and Health Insurance.** The Community Health Center has received Medicare certification on six (6) of its nursing beds. When eligible, you are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility. You shall furnish to us such evidence of coverage as we may from

time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in the Community Health Center or a Comparable Facility. If you are eligible to receive the six (6) days of nursing care in the Community Health Center as provided in Paragraph 4.4 and your stay in the Community Health Center is a Medicare-qualified stay, such six (6) days will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B and acceptable supplemental health insurance or equivalent insurance coverage.

If you are not eligible for Medicare, you shall maintain health insurance coverage acceptable to us and shall furnish us with evidence of such coverage upon our request. Should your health insurance not fully cover your stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each admission and stay in the Community Health Center or a Comparable Facility.

If failure to maintain Medicare Part A, Medicare Part B, supplemental health insurance or other health insurance coverage causes depletion of your resources and impairs your ability to meet your financial

obligations, we need not defer your financial obligations to us as outlined in Paragraph 6.1, and we retain the right to cancel the Residency Agreement as provided in Section 8.

**4.13 Managed Care.** If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:

**4.13.1 Participating Provider.** If the Community Health Center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, the Community agrees to be reimbursed at the rate negotiated with your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 4.10.

**4.13.2 Not a Participating Provider.** If the Community Health Center is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible

for all charges for health care services. In addition, while receiving health care services at the managed care participating provider, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above. Such a stay at a managed care participating provider will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable.

**4.13.3 Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we will attempt to negotiate a reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 4.10.

**4.13.4 No Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive nursing care in the

Community Health Center during a Medicare-qualified stay, then each day of your stay in the Community Health Center will reduce by one day the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. During any such Medicare-qualified stay in the Community Health Center, you agree that you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above and any charges for physician services and any additional health services as outlined in Paragraph 4.10. If at any time during any such Medicare-qualified stay in the Community Health Center you are no longer eligible to receive any of the days of care provided for in Paragraph 4.4, then you agree to pay the per diem charge for your care in the Community Health Center, the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, and any charges for physician services and any additional health services as outlined in Paragraph 4.10.

**4.13.5 Post Medicare-Qualified Stay.** At the conclusion of each such Medicare-qualified stay, you will be entitled to care in the Community Health Center in accordance with the terms of this Agreement other than as provided in this Paragraph 4.13, as adjusted to reflect any reduction during such stay in the number of days of care that you are eligible to receive without additional charge as provided in Paragraph 4.4, as applicable.

**4.14 Long-Term Care Insurance.** We will use reasonable efforts to assist you in working with your long-term care insurance provider to obtain the benefits to which you may be entitled.

**4.15 Transfer to Hospital or Other Care Facility.** If we determine after consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond that which the Community Health Center is licensed to provide, you will be transferred to a hospital or other care facility. Our staff will not accompany you to the hospital or other facility. We shall not be responsible for any charges associated with the transfer and health care expenses or charges incurred by you after such a transfer. You shall continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5 above.

**4.16 Community Health Center Admission Agreement.** If you require care in the Community Health Center, you agree to enter into a separate admission agreement for the appropriate level of care, which will be signed by you and us.

**4.17 Under Age 62.** If you are under the age of 62 when you occupy your Residence under this Agreement, you are not eligible to receive the six (6) days of care in the Community Health Center as described in Paragraph 4.4 until you attain the age of 62. During this time, you will be entitled to Health Center Level Services at the then-current per diem charge being charged to nonresidents until age 62.

## **5. REPRESENTATIONS.**

**5.1 Our Representations.** We represent and warrant that we are a nonprofit corporation. We are exempt from payment

of Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. We are affiliated with the North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction. The North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction is not responsible for our financial or contractual obligations.

**5.2 Your Representations.** You represent and warrant that the representations made in the application for residency, your personal health history, and the confidential financial statement are true and correct and may be relied upon by us as a basis for your acceptance for residency at the Community. You also represent and warrant that you have not made any gift of your property in contemplation of the execution of this Agreement.

## **6. PROMISES.**

**6.1 Our Promises.** It is and shall be our declared policy to operate as a non-profit organization. We will not cancel this Agreement without just cause as specified in Section 8. Further, we shall not cancel this Agreement solely by reason of your financial inability to pay the full Monthly Fee or the per diem charge for care in the Community Health Center, provided you have met all "spend-down" provisions of eligibility for the Medicaid program and any public assistance funds. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. You shall be permitted to remain at the Community for a reduced fee based on your ability to pay for as long as you

establish facts to justify deferment of such charges and when deferment of such charges can, in our sole discretion, be granted without impairing our ability to operate the Community on a sound financial basis for the benefit of all residents.

**6.2 Your Promises.** You agree to comply with all policies and procedures of the Community as now existing or as hereafter amended; to pay the Entrance Fee, Monthly Fee, and any other charges as provided in this Agreement; to not impair your ability to meet the financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance, without our consent; to apply for public assistance funds (if available) and/or Medicaid (if the Community Health Center becomes Medicaid certified) if you should need financial assistance as outlined in Paragraph 6.1 above while receiving Health Center Level Services; and to abide by all other terms of this Agreement.

## **7. CANCELLATION BY RESIDENT.**

**7.1 Right of Rescission.** Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. However, if you occupy the Residence during the rescission period and then rescind this Agreement, you will only be charged a Monthly Fee for the period of time that you actually occupied the Residence. Refund of the amount of the



Entrance Fee paid shall be as outlined in Paragraph 9.2.

**7.2 Cancellation Prior to Occupancy.** You may cancel this Agreement for any reason at any time before you move into the Community by giving us written notice signed by you (both of you in the case of Joint Residents). Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 9.3 or 9.4. If you die prior to occupying the Residence or if, on account of illness, injury or incapacity, you are precluded from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel upon our receipt of notice of your death, illness, injury or incapacity. If you elect to cancel this Agreement because of a substantial change in your physical, mental, or financial condition prior to occupancy, then this Agreement will cancel upon written notice from you. Refund of the Entrance Fee shall be as outlined in Paragraph 9.3.

**7.3 Cancellation Due to Residence Not Available.** You may cancel this Agreement upon written notice to us if we have not made the Residence available to you for occupancy within two (2) years from the date we execute this Agreement. Refund of the Entrance Fee shall be as outlined in Paragraph 9.7.

**7.4 Cancellation After Occupancy.** You may cancel this Agreement for any reason after moving into the Community by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must remove your personal property from the Residence and from any storage unit within said thirty (30) day notice period as outlined in Paragraph 3.7.3. You are

obligated to pay the Monthly Fee during the thirty (30) days, and thereafter if the Residence has not been released to us in accordance with Paragraph 1.5.3 above. Refund of the Entrance Fee shall be as outlined in Paragraph 9.5.

**7.5 Cancellation Due to Death After Occupancy.** This Agreement will automatically cancel upon your death (unless you have a surviving Joint Resident). Your estate must remove your personal property from the Residence and from any storage unit within thirty (30) days after your death as outlined in Paragraph 3.7.1. Your estate will be obligated to pay the Monthly Fee as outlined in Paragraph 1.5.1 above. Refund of the Entrance Fee shall be as outlined in Paragraph 9.5.

## **8. CANCELLATION BY UMRH.**

**8.1 Cancellation Upon Notice.** We may, upon notice and opportunity to cure as hereinafter provided, cancel this Agreement for just cause. Just cause shall include the occurrence of any of the following events (hereinafter referred to as a "Default"):

### **8.1.1 Noncompliance.**

You do not comply with the terms of this Agreement or the published operating procedures, covenants, rules, regulations, and policies now existing or later amended by us.

### **8.1.2 Misrepresentation.**

You misrepresent yourself or fail to disclose information during the residency process.

**8.1.3 Entrance Fee Installments.** You fail to pay the Entrance fee installments as outlined in

Paragraphs 1.2.1, 1.2.2, 1.2.3 and 1.2.4 when due.

**8.1.4 Nonpayment.** You fail to pay any charges to us, subject to the provisions of Paragraph 6.1, within forty-five (45) days of the date when such charges are due.

**8.1.5 Threat to Health or Safety.** Your health status or behavior constitutes a substantial threat to the health, safety or peace of yourself, other residents, or others including your refusal to consent to relocation, or behavior that would result in physical damage to the property of the Community or others.

**8.1.6 Change in Condition.** There is a major change in your physical or mental condition and your condition cannot be cared for in the Community Health Center within the limits of our license.

**8.2 Default Notice.** Prior to cancellation for any Default described in Paragraph 8.1.1, 8.1.2, 8.1.3 or 8.1.4 above, we shall give you notice in writing of such Default, and you shall have at least thirty (30) days thereafter within which to correct such Default. No Default shall eliminate your obligation to pay the Monthly Fee. If you correct such Default within such time, this Agreement shall not be canceled. If you fail to correct such Default within such time, this Agreement shall cancel at the expiration of such thirty (30) days.

In the event of the occurrence of a Default described in Paragraph 8.1.5 or 8.1.6 above, if we or the Medical Director determines that either the giving of notice of Default or the lapse of time as above provided might be detrimental to you or

others, then such notice and/or waiting period prior to cancellation shall not be required. Also, in the event of the occurrence of a Default described in Paragraph 8.1.5 or 8.1.6, we are expressly authorized by you to transfer you to an appropriate hospital or other facility, and we will promptly notify your personal representative or attending physician.

## **9. REFUND OF ENTRANCE FEE.**

**9.1 Nonacceptance by Us.** If we do not accept you for residency at the Community, the full amount of the Entrance Fee you have paid will be promptly refunded to you, without interest.

**9.2 Right of Rescission.** If you rescind this Agreement as provided in Paragraph 7.1, you shall receive a full refund of the portion of the Entrance Fee paid by you, without interest, within sixty (60) days of our receipt of the written notice of rescission.

**9.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, or Incapacity.** If, prior to occupancy and after your right of rescission period has expired, you die or you cancel this Agreement because of illness, injury or incapacity, you or your estate will receive a refund of the portion of the Entrance Fee you have paid, without interest, less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days following (i) the date of automatic cancellation of this Agreement; or (ii) the date of our receipt of your written notice of cancellation.

**9.4 Cancellation Prior to Occupancy for Other Reasons.** If you cancel

this Agreement for reasons other than those stated in Paragraphs 9.2 or 9.3 above, you shall receive a refund of the Entrance Fee paid, less a non-refundable portion of the Entrance Fee equal to Two Thousand Dollars (\$2,000) and less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid when the Residence is reserved by a new resident and the new resident has paid the appropriate Entrance Fee installments to equal the Entrance Fee installments to be refunded to you.

**9.5 Cancellation After Occupancy.** In the event you or we cancel this Agreement after occupancy or in the event of your death (the death of the survivor in the case of Joint Residents), you or your estate will be reimbursed the amount of the Entrance Fee previously paid by you, less two percent (2%) for each month of residency or portion thereof, for up to twenty-five (25) months. Subject to our offset rights outlined in Paragraph 9.6, the refund of the Entrance Fee will not be less than fifty percent (50%). Said refund will be paid, without interest, at such time as a new resident has paid the full amount of the Entrance Fee for your Residence or within two (2) years from the date of cancellation, whichever occurs first.

**9.6 Offset Against Entrance Fee Refund.** In the event of cancellation of this Agreement as described in Paragraph 9.5 above, we will offset against any Entrance Fee refund due to you or your estate the following:

**9.6.1** The amount of any unpaid Monthly Fees, prorated Monthly Fees for the period of time the Residence was occupied (which

shall include the period of time until you or your personal representative removes all of your personal property from the Residence and from any storage unit) after cancellation of this Agreement, any Extra Charges, or other charges deferred by us on your behalf under Paragraph 6.1; and

**9.6.2** Any health care expenses incurred on your behalf and other amounts payable to us, which remain unreimbursed; and

**9.6.3** Any charges incurred to restore the Residence to good condition, normal wear and tear excepted, as outlined in Paragraph 3.11; and

**9.6.4** Any charges incurred as a result of options and custom features added to the Residence at your request as outlined in Exhibit A or in a separate addendum to this Agreement.

**9.7 Availability of the Residence.** If the Residence is not available to you for occupancy within two (2) years from the date we execute this Agreement, you may terminate this Agreement upon written notice to us. In such event, the full amount of the Entrance Fee you have paid will be refunded to you, without interest, within thirty (30) days from the date we receive your notice of termination.

## **10. MISCELLANEOUS.**

**10.1 Nature of Rights.** You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this

Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 9; (ii) this Agreement and your contractual right to occupy the Community will exist and continue to exist during your lifetime unless canceled as provided herein; (iii) this Agreement grants you the right to occupy and use space in the Community but does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement grants to us complete decision-making authority regarding the management and operation of the Community.

**10.2 Release.** We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from any such liability. You may want to obtain at your own expense insurance to protect against such losses.

**10.3 Amendment.** This Agreement may be amended by agreement of the parties to this Agreement. No amendment of this Agreement shall be valid unless in writing and signed by you and us.

**10.4 Law Changes.** This Agreement may be modified by us at any time in order to comply with applicable laws or regulations. Further, we may change any part of the Community, including the Residence, to meet the requirements of any applicable law or regulation.

**10.5 Entire Agreement.** This Agreement and any addenda or amendments thereto contain our entire understanding with respect to your residency at the Community.

**10.6 Monthly Statement.** You shall receive a monthly statement from us showing the total amount of fees and other charges owed by you, which shall be paid upon receipt and by no later than the fifteenth (15<sup>th</sup>) day of each month.

**10.7 Responsible Party for Business and Financial Decision Making.** Prior to assuming residency at the Community, you agree to execute and deliver to us a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Community.

**10.8 Disposition of Furniture, Possessions, and Property.** You agree to make provision by Will or otherwise for the disposition of all of your furniture, property, and possessions located on the premises of the Community within sixty (60) days after the date of residency.

**10.9 Nonwaiver.** If we fail to insist in any instance upon performance of any of the terms, promises, or conditions of this Agreement, it shall not be construed as a waiver or relinquishment of the future performance of any such terms, promises, or conditions, but your obligation with respect

to such future performances shall continue in full force and effect.

**10.10 Notices.** Any notice required to be given to us under this Agreement shall be in writing and sent certified mail, return receipt requested, with all postage and charges prepaid, or hand-delivered to the Executive Director of the Community at 100 Hickory Street; Greenville, North Carolina 27858. Such notices shall be dated and signed.

Any notice required to be given to you shall be delivered to you at the Community or at such other place as you shall designate to us in writing and sent by certified mail or hand delivered. All notices mailed in accordance with this Paragraph shall be deemed to be given when mailed whether or not they are actually received.

**10.11 Indemnity.** We will not be liable for and you agree to indemnify, defend and hold us harmless from claims, damages and expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to, or in any way connected with your negligent or intentional act or omission or that of your guests.

**10.12 Severability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

**10.13 Subordination.** You agree that all your rights under this Agreement will always be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Community, which have been or will be executed by us.

Upon request, you agree to execute, acknowledge and deliver to such lender(s) such further written evidence of such subordination as such lender(s) may reasonably require. Except to the extent of your obligation to pay the Monthly Fee and Second Person Monthly Fee, you shall not be liable for any such indebtedness.

**10.14 Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. This Agreement will become effective upon acceptance and signature by us.

**10.15 Resident.** In the case of Joint Residents, the rights and obligations of each are joint and several, except as the context of this Agreement otherwise requires.

**10.16 Reimbursement for Loss or Damage.** You or your responsible party, if applicable, agree to reimburse us for any loss or damage to the Community caused by your intentional, careless, or negligent acts or omissions or that of your guests.

**10.17 Charges for Collection.** You agree to reimburse us for any charges we incur to collect any unpaid amounts you or estate owes to us under this Agreement.

**10.18 Sale or Transfers of Interest.** We may sell or transfer our interest in the Community provided the buyer will agree to assume this Agreement and all other existing Residency Agreements. Upon the assumption of this Agreement by a buyer of the Community and its agreement to perform this Agreement and all other agreements, we will have no further obligation hereunder. Your signature hereto constitutes your consent and approval of any such future transaction.

**10.19 Private Employee of Resident.** If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency (personal service provider). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home health agency. In any event, you must comply with our policy regarding personal service providers, and ensure that your private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct set forth in our policy. If you fail to follow or enforce the policies and rules set forth therein, then we may elect, in our sole option, to cancel this Agreement.

**10.20 Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement as more fully explained in our Disclosure Statement.

**10.21 Management.** We have engaged the services of Life Care Services LLC ("LCS") to manage Cypress Glen. We are not affiliated with LCS nor is LCS responsible for our contractual or financial obligations or the contractual or financial obligations of Cypress Glen.

**10.22 Governing Law.** This Agreement will be governed, interpreted and construed according to the laws of the State of North Carolina.

**10.23 Survival of Representations and Obligations.** Your representations and obligations under this Agreement, including but not limited to, your obligation to pay all sums owed by you to us, and your agreement to indemnify us as set forth in Paragraph 10.11, and our representations and obligations under this Agreement, will

survive any cancellation of your residency in the Community, regardless of the reason for such cancellation and regardless of whether it is initiated by you or by us.

## **11. MEDIATION AND ARBITRATION.**

**11.1 Mediation.** In the event a dispute, claim or controversy of any kind arises between the parties – except for those disputes, claims or controversies arising under Paragraph 11.3 below – that cannot be resolved by mutual agreement, the parties agree to submit such dispute, claim or controversy to a neutral mediator for possible resolution. The parties will jointly agree on a neutral mediator. Each party shall submit all evidence or information in writing to the mediator in support of its contentions or allegations and any defense either party may have with respect to the dispute, claim or controversy. Each party shall have the right to a hearing before the mediator and to personally present information pertinent to such dispute, claim or controversy. The mediator shall assist each party, in an unbiased manner, in reaching an amicable agreement regarding the dispute, claim or controversy. If an amicable agreement is not reached, or if either party fails or refuses to negotiate or mediate in good faith to resolve the matter, or if a neutral mediator cannot be agreed upon between the parties, then the parties agree to submit such dispute, claim or controversy to an arbitration process as outlined below.

**11.2 Arbitration.** In the event a dispute, claim or controversy of any kind arising out of or relating to this Agreement – except for those disputes, claims or controversies arising under Paragraph 11.3 below – cannot be resolved through mediation as described in Paragraph 11.1

above, the parties agree that said dispute, claim, or controversy will be submitted to and determined by arbitration in Pitt County, North Carolina in accordance with the Federal Arbitration Act. You and we will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in state law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all residents of the Community provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue affects more than one (1) resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us. This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

**11.3 Voluntary Arbitration of Negligent Health Care Claims.** For all claims for damages in personal injury or wrongful death actions, based on alleged negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the

North Carolina General Statutes. N.C. G.S. §90-21.60(b) prohibits any contract from requiring prior agreement of the parties to arbitrate negligent health care claims. Thus, Paragraphs 11.1 and 11.2 do not apply to personal injury or wrongful death actions based on alleged negligence in the provision of health care. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

[Signature Page Follows]

You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement dated \_\_\_\_\_, 20\_\_\_\_.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
RESIDENT

\_\_\_\_\_  
Witness

\_\_\_\_\_  
RESIDENT

\_\_\_\_\_  
Witness

**THE UNITED METHODIST  
RETIREMENT HOMES,  
INCORPORATED  
d/b/a Cypress Glen Retirement  
Community**

By \_\_\_\_\_  
Executive Director

Date: \_\_\_\_\_

By \_\_\_\_\_  
Authorized Agent of UMRH

Date: \_\_\_\_\_

Attachment: Exhibit A

50 Percent Return of Capital Residency  
Agreement - Cottage or Villa to be  
Constructed (2018-02-05) CLEAN.docx



**Exhibit A**

<b>Options and Custom Features Added at Resident's Request:</b>	<b>Amount</b>
	\$
	\$
	\$
	\$
	\$
	\$
<b>Total</b>	\$

**Initials** \_\_\_\_\_  
**Community**

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

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

WBD(US) 41242208v3



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**80 Percent Return of Capital™  
Residency Agreement  
(For Cottage or Villa To Be Constructed)**

02/05/2018



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Exhibit A – Options and Custom Features Added at Resident's Request

## GLOSSARY

The following terms are described as used in the accompanying Residency Agreement. Reference to the Residency Agreement and the context in which the terms are used is recommended to provide a fuller understanding of each of the terms:

**"Agreement"** means the Residency Agreement, entered into between the Resident and The United Methodist Retirement Homes, Incorporated, which outlines the contractual obligations of both parties.

**"Community"** means the continuing care retirement community known as "Cypress Glen Retirement Community," including all of the residences, common areas, and site amenities.

**"Entrance Fee"** means payment that assures a resident a place at the Community for life as long as the resident complies with terms of this Agreement. At the time the resident makes application for residency at the Community, the resident will sign a Residency Agreement to reserve the residence selected and will pay an Entrance Fee deposit to the Community. The balance of the Entrance Fee will be paid in incremental percentages on set dates with the remaining balance paid on the earlier of (i) occupancy or (ii) 30 days from the date that you are notified that the residence is ready for occupancy. Specific information is located in Paragraph 1.2 of this Agreement.

**"Extra Charges"** means the additional fees required to be paid for the additional services and amenities requested by Resident, as set forth in Paragraph 2.2 of this Agreement.

**"Health Center"** means the portion of the Community, which is licensed to provide three levels of care: assisted living care, memory care, and nursing care, as described in Section 4 of the Agreement.

**"Monthly Fee"** means that fee payable each month by the Resident as set forth in Paragraphs 1.3 and 1.4 of the Agreement, in consideration for the services and amenities provided to the residents of the Community described in Paragraph 2.1 of this Agreement. If there are Joint Residents under this Agreement, the Monthly Fee will include a "Second Person Monthly Fee."

**"Residence"** means the cottage to be constructed at the Community identified in the introductory paragraph of the Agreement, in which the Resident has the right to live pursuant to this Agreement in exchange for paying the Entrance Fee and the Monthly Fee.

**"Resident" or "you"** means the Resident(s) who sign this Agreement. Sometimes a second resident (if there are two of you) is referred to in this Agreement as the "Joint Resident." Further, both Residents may be referred to as "Joint Residents." Unless otherwise indicated, "you" refers to both of you if there are two of you.

**"Responsible Party"** refers to that person who may act on resident's behalf, including signing this Agreement.

**"The United Methodist Retirement Homes, Incorporated" or "we" or "our" or "us"** means the owner of the retirement community known as Cypress Glen Retirement Community, including all of the residences, common areas, and site amenities associated with these areas. The United Methodist Retirement Homes, Incorporated is a North Carolina non-profit corporation.



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**Residency Agreement  
80 Percent Return of Capital™  
(For Cottage or Villa To Be Constructed)**

**INTRODUCTION**

This 80 Percent Return of Capital™ Residency Agreement (For Cottage or Villa To Be Constructed) ("Agreement") is entered into by The United Methodist Retirement Homes, Incorporated ("UMRH," "we," "us," or "our") and \_\_\_\_\_ (individually or collectively, "you," "your," or "Resident"). Cypress Glen Retirement Community is a continuing care retirement community located at 100 Hickory Street; Greenville, NC 27858 ("Cypress Glen" or "Community").

We will provide residential housing for seniors along with a wide array of personal services and amenities outlined in this Agreement. Subject to the conditions contained in this Agreement, we agree to make available to you the Residence described as follows:

Residence Number \_\_\_\_\_  
Residence Style \_\_\_\_\_

You may select certain options and custom features in the Residence at an additional charge, which shall not be subject to any refund provision herein. Any such options and custom features selected and paid for by you will become our property. Such options and custom features must be approved by the Executive Director of the Community prior to adding them to the Residence. The Executive Director of the Community has consented to your request to add the options and custom features set forth on Exhibit A attached to this Agreement. You agree to pay the amount(s) set forth on Exhibit A to cover the charges for such items.

As a Resident of the Community, you are offered lifetime use of your Residence and lifetime access to the Community Health Center, subject to the terms and conditions of this Agreement.

To be accepted for residency, you must meet our residency criteria, which includes: having reached the age of 62 (or sharing your Residence with a Joint Resident who is 62 or older); financial guidelines; and the ability to live in a residence (with or without reasonable accommodation and/or reasonable modification) – all as outlined in our current residency policy.

The purpose of this Agreement is to set forth your rights and duties as a Resident of the Community and to delineate the services to be provided at the Community.

## **1. CHARGES FOR RESIDENCE AND PRIMARY SERVICES.**

**1.1 Application Fee.** Prior to or upon your execution of this Agreement, you will pay to us a non-refundable Application Fee of \$\_\_\_\_\_. The Application Fee will be used by us to process your application for residency.

**1.2 Entrance Fee.** In order to reside at the Community for life, subject to this Agreement, and to receive the services and amenities described below, you agree to pay to us (in addition to the Monthly Fee described below) an Entrance Fee in the amount of \$\_\_\_\_\_ (includes first and second person, if applicable). The total amount of the Entrance Fee shall be payable as follows:

**1.2.1** Ten percent (10%) of the total Entrance Fee is \$\_\_\_\_\_, less any previously paid Future Resident Fee (\$\_\_\_\_\_), equals \$\_\_\_\_\_, which amount is due and payable upon your execution of this Agreement.

**1.2.2** The balance of \$\_\_\_\_\_ (ninety percent (90%) of the Entrance Fee) shall be paid to us on the earlier of (i) the date you assume occupancy at the Community or (ii) within thirty (30) days from the date you are notified that the Residence is ready for occupancy.

**1.3 Monthly Fee.** You are obligated to begin paying a Monthly Fee (or a pro rata portion thereof) on the earlier of (i) the date you assume occupancy at the Community or (ii) within thirty (30) days from the date you are notified that the Residence is ready for occupancy. Thereafter, the Monthly Fee is due upon receipt of a statement from us and by no

later than the fifteenth (15<sup>th</sup>) of each month. The Monthly Fee is initially set at a specific amount that can be increased as described in Paragraph 1.6 below. A "Second Person Monthly Fee" shall become part of the Monthly Fee and shall be paid if two persons are Joint Residents under this Agreement. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component.

**1.4 Initial Monthly Fee.** The initial Monthly Fee payable by you is \$\_\_\_\_\_ per month and an additional \$\_\_\_\_\_ per month as a Second Person Monthly Fee component of the Monthly Fee if two persons reside as Joint Residents pursuant to this Agreement.

**1.5 Continuance of Monthly Fee.** Payment of the Monthly Fee will continue as follows:

**1.5.1** In the event of your death (in the case of Joint Residents, the death of the surviving Resident), until your estate removes all of your personal property from the Residence and from any storage unit.

**1.5.2** In the event of your permanent relocation to Health Center Level Services or Comparable Facility for Health Center Level Services (see definitions in Paragraphs 4.1 and 4.2), or to another care facility licensed to provide the appropriate care you need, until you or your personal representative removes all of your personal property from the Residence and from any storage unit.



**1.5.3** In the event of cancellation of this Agreement as outlined in Section 7 or 8, until expiration of the cancellation period and continues until you remove all of your personal property from the Residence and from any storage unit.

**1.6 Increase in Monthly Fee.** The Monthly Fee is paid to us to provide the services and amenities described in this Agreement and is intended to meet the expenses associated with the operation of the Community. We may increase the Monthly Fee (which includes the Second Person Monthly Fee where applicable) upon thirty (30) days' written notice if we, in our sole discretion, deem it necessary to meet the financial needs of the Community or to provide quality services to the Residents.

**1.7 Reduction in Monthly Fee Due to Absence.** Upon the request of the Resident, the Community will provide a reduction in the Monthly Fee when a Resident is absent from the Community, equal to the raw food costs determined through the Community's budgeting process, outlined as follows:

- Two (2) Meals a Day Plan: Must be absent from the Community for more than forty-five (45) consecutive days to qualify for the reduction. The reduction begins on day 46.
- Twenty-Five (25) Meals a Month Plan: Must be absent from the Community for more than ninety (90) consecutive days to qualify for the reduction. The reduction begins on day 91.

**1.8 Reserve Funds.** The amount of the Monthly Fee also is and will continue to be affected by our policy of maintaining

reserve funds for the financial security of the Community.

**1.9 Late Payment Charge.** We will charge a late payment charge in the amount of twenty-five dollars (\$25.00) if the Monthly Fees or any Extra Charges are not paid by the fifteenth (15<sup>th</sup>) day of the month. Balances over thirty (30) days old will be assessed a one percent (1%) interest charge per month. If we hire a collection agency or attorney to collect the Monthly Fee and Extra Charges past due from you, you are to pay any and all costs of collection, including reasonable attorney's fees, costs, and expenses associated with such collection efforts.

## **2. DESCRIPTION OF PRIMARY AND SUPPLEMENTAL SERVICES.**

**2.1 Services Provided for the Monthly Fee.** We will provide you, in consideration for the Monthly Fee referred to above, the following services and amenities at the Community:

- Dining allowance equal to two (2) meals per day for residents of A and B wings; three (3) meals per day for residents of the C wing; and twenty-five (25) meals per month for residents of the D wing, East wing, West wing, and cottages;
- Limited meal delivery to be provided when approved by authorized staff;
- Consultation and preparation of routine special diets;
- Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;
- Standard television cable system;
- Building janitor and maintenance;
- Grounds keeping;
- Weekly housekeeping services;

- Laundry facilities for residents in the A, B and C wings; washers and dryers provided in the D wing, East wing, West wing and cottages;
- Planned activities (social, cultural, recreational, educational, and spiritual) for those who wish to participate;
- Services of a chaplain;
- Services of a life enrichment director;
- Parking for residents and guests;
- Carpeting (except in kitchen and bath), unless some other floor surface has been installed;
- Kitchen facilities;
- Scheduled local transportation as published by us, including transportation to local medical facilities (non-emergency);
- Limited additional storage space for A, B, C, D, East and West wing apartments;
- Emergency call system, with 24-hour check-in;
- Smoke detectors;
- Security – 24 hours a day; and
- Six (6) days each year of assisted living, memory care or nursing care in the Community Health Center as outlined in Paragraph 4.4.

**2.2 Supplemental Services Provided for Extra Charge.** Supplemental services, when available, will be provided at Extra Charge and are described below. A list of Extra Charges for these supplemental services can be obtained from administration.

- Extra meals, depending upon a resident's dining allowance;
- Extended meal delivery as approved by authorized staff;
- Preparation of special diets (beyond those which are routine), as

prescribed by your attending physician;

- Additional housekeeping services;
- Guest accommodations, if available;
- Guest meals;
- Personal transportation and transportation for special events and group trips;
- Community Health Center services as outlined in Section 4 (including assisted living, memory care, nursing care and the services of the Clinic);
- Wireless Internet; and
- Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, etc.) as outlined in Paragraph 4.10.

### **3. TERMS OF RESIDENCY.**

**3.1 Use of the Residence.** The Residence is for living only and will not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions. This Agreement is not a lease, and grants you only the right to live in the Residence, access to other facilities of the Community, and to available services and amenities, subject to the terms and conditions of this Agreement.

**3.2 Duration of Your Right to Occupy the Residence.** You may reside in your Residence for as long as you (or either of you in the case of Joint Residents) live unless you (both of you in the case of Joint Residents) are not capable of occupancy as set forth in our residency policy, or this Agreement is canceled by you or by us. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that you need assisted living services, memory care services, or

nursing care services, you will be requested to relocate to the Community Health Center or Comparable Facility (as defined in Paragraph 4.2).

### **3.3 Occupants of the Residence.**

Except as hereinafter provided, no person other than you (both of you in the case of Joint Residents) may occupy the Residence. In the event that a second person who is not a party to this Agreement is accepted for residency in the Residence after the date we sign this Agreement (said acceptance to be in accordance with our current residency policy), an Entrance Fee in an amount to be determined by us (which will be no more than one-half of the then-current Entrance Fee for the Residence) shall be paid upon residency, and each month thereafter, the then-current Second Person Monthly Fee shall be paid as part of the Monthly Fee. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than thirty (30) days, except with our express written approval.

If the Resident marries a person who is also a resident of the Community, and should they decide to occupy one residence as Joint Residents, they must declare which residence will be occupied and which residence will be released. The refund due for the released residence, if any, will be provided as described in Paragraph 9.5 of this Agreement.

**3.4 Guests.** Guests are welcome to stay in your Residence for short stays not to exceed ten (10) consecutive days. Such stay shall not, in the opinion of the Executive Director, adversely affect the operation of the Community or be inconsistent with the welfare of our residents.

**3.5 Release.** We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from such liability.

**3.6 Insurance.** Our insurance does not cover your personal property or your liability. It is recommended that you carry personal property insurance and liability insurance at your own expense to cover against any loss or damage to your personal property or to the property of others caused by your negligence or that of your guests. If requested by us, you agree to provide us with proof of such insurance coverage.

### **3.7 Removal and Storage of Resident's Personal Property.**

**3.7.1** Within thirty (30) days following the date of your death (the death of the surviving Resident in the case of Joint Residents). If your personal property is not removed from the Residence and from any storage unit within such thirty (30) days, we will continue to charge your estate the Monthly Fee as outlined in Paragraph 1.5.1 above, or we may remove and store such personal property at the expense and risk of your estate. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated. We will only allow the executor(s) named in your Will to remove or dispose of your personal property in your living accommodation and any related storage unit at the Community. Members of your family or those to whom you have granted power of attorney will not be

allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

**3.7.2** Within thirty (30) days following the date notice is delivered to you of your permanent relocation to the Community Health Center or Comparable Facility for Health Center Level Services (see definitions in Paragraphs 4.1 and 4.2), or to another care facility licensed to provide the appropriate care you need. If your personal property is not removed from your Residence and from any storage unit within such thirty (30) days, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.2 above, or we may remove and store such personal property at your expense and risk.

**3.7.3** At the end of the cancellation period outlined in Section 7 or 8. If your personal property is not removed from your Residence and from any storage unit by the end of the cancellation period, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.3 above, or we may remove and store such personal property at your expense and risk. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated.

**3.8 Furnishings.** Furnishings within the Residence will not be provided by us except as stated in Paragraph 2.1. Furnishings provided by you shall not be such as to interfere with your health, safety

or general welfare, or that of other residents or others.

**3.9 Emergency Entry and Relocation.** We may enter your Residence should it be necessary in an emergency to protect your health or safety or the health or safety of other residents. If relocation is recommended by the Medical Director or your attending physician, we will request that you relocate to another residence within the Community, or to the Community Health Center or a Comparable Facility (as defined in Paragraph 4.2), or to a hospital or other health care facility for the protection of your health or safety or for the health or safety of the other residents of the Community.

**3.10 Alterations by You.** You may not undertake any alterations to your Residence without our prior written approval. Said alterations will be set forth in a separate addendum to this Agreement, signed by you and us.

**3.11 Condition of Residence.** Upon vacating the Residence, you agree to leave it in good and clean condition. You shall be liable to us for any charges incurred to restore your Residence to good and clean condition, except for normal wear and tear.

**3.12 Rights of Second Single Resident.** When two Joint Residents reside in a single Residence under this Agreement, upon the death or permanent relocation of one Resident to a different level of care at the Community, or other inability of that Resident to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the terms of this Agreement and shall pay the Monthly Fee.

### **3.13 Smoke-Free Community.**

The Community is a smoke-free community, pursuant to its Smoke-Free Community Policy (a copy of which is available upon request), wherein the campus and buildings have been designated as "smoke free". Smoking (including E-Cigarettes) is not allowed by residents, guests, staff, and business invitees in any part of the Community (except in designated outdoor areas), including, but not limited to, the residences, the Community Health Center (including the assisted living facility, memory care unit, and the nursing facility), hallways, dining rooms, public restrooms, lounge areas, reception areas, waiting rooms, courtyards, entrances, walking paths, driveways, and any other common areas of the Community. Outside designated smoking areas will be posted. Violation of the Smoke-Free Community Policy can result in our cancellation of this Agreement for just cause as outlined in Paragraph 8.1 hereof.

**3.14 Firearms Policy.** The Community has adopted a policy governing the possession of firearms at the Community. Firearms need to be registered with the Community and properly secured. In the event that you are unable to safely maintain a firearm, we will contact your designated power of attorney, legal representative or family member to remove any firearms from your Residence.

## **4. THE COMMUNITY HEALTH CENTER.**

**4.1 Description.** The Community Health Center is the portion of the Community which is licensed to provide three levels of care: assisted living care, memory care, and nursing care (collectively "Health Center Level Services"). The Community Health Center is staffed by licensed nursing personnel 24 hours a day.

### **4.2 Alternate Accommodations.**

You will be given priority over non-residents for admission to the Community Health Center. In the event the Community Health Center is fully occupied when you are determined to need such care, you agree to relocate to an alternate health care facility that provides services similar to the Community Health Center or to another care facility licensed to provide the appropriate care you need (a "Comparable Facility") until an appropriate space becomes available for you at the Community. We will not be responsible for the charges associated with the Comparable Facility. Upon your relocation to a Comparable Facility, you shall continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

**4.3 Clinic.** The Clinic is available for certain examinations, consultations, tests and appointments. Such services will be at an Extra Charge to you.

**4.4 Six (6) Days of Assisted Living, Memory Care or Nursing Care.** You are eligible to receive a total of six (6) days each year of either assisted living care, memory care or nursing care in the Community Health Center while you are a resident of your Residence. In the case of Joint Residents, each of you will receive six (6) days, but the days cannot be combined and used by only one of you. Such six (6) days renews on an annual basis and does not accumulate. You are required to pay the charges for physician services and any additional health services as outlined in Paragraph 4.10. Once you are permanently assigned to assisted living, memory care or nursing care in the Community Health Center or Comparable Facility, you no longer qualify for the six (6) free days of assisted living, memory care or nursing care and will be required to pay the per diem charge for such care. **[NOTE: The six (6)**

**days of care is a combined annual total for assisted living, memory care and nursing care at the Community.]**

**4.5 Transfer to Health Center Level Services.** In the event your physical or mental health is determined by us to be appropriate for Health Center Level Services, you agree to relocate to the Community Health Center or a Comparable Facility. Such a determination will be made by us after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

**4.6 Temporary Relocation to the Community Health Center.** In the event you require temporary care in the Community Health Center (beyond the six (6) days of care as outlined in Paragraph 4.4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 4.10. In addition, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above.

**4.7 Permanent Relocation to Health Center Level Services.** In the event you require permanent care in the Community Health Center (beyond the six (6) days of care as outlined in Paragraph 4.4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 4.10. If you are determined appropriate for Health Center Level Services, and are permanently relocated to the Community Health Center or a Comparable Facility, you will be required to release your Residence to us, and

remove all of your personal property from the Residence and from any storage unit as outlined in Paragraph 3.7.2. We shall have the right to reassign the Residence for occupancy by others except as provided in Paragraph 3.12. Release of the Residence due to your permanent relocation to the Community Health Center or to a Comparable Facility does not qualify you for a refund of the Entrance Fee, unless this Agreement is canceled. Subject to the terms and conditions of this Agreement, you will continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

**4.8 Relocation within the Community Health Center.** We reserve the right to relocate you to a different level of care within the Community Health Center if you require such care. Such relocation will be made after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

**4.9 Return to Residence.** If we subsequently determine, in consultation with your attending physician, your personal representative and you to the extent possible, that you can resume occupancy in a residence equivalent to the residence you previously occupied, you shall have the right to relocate to such equivalent residence as soon as one is available. Upon reoccupying a residence, your Monthly Fee will be based on the then-current Monthly Fee for the residence.

**4.10 Medical Director, Attending Physician, and Additional Health Services.** We have designated a licensed physician to serve as Medical Director of the Community Health Center. You are required to have a local attending

physician. You may engage the services of the Medical Director at your own expense. If your personal physician will be providing you with services in the Community Health Center, he/she may do so upon providing us with his/her credentials and with proof of liability insurance, and he/she agrees to abide by our policies and procedures. We will not be responsible for the charges for medical treatment or services by the Medical Director or your attending physician, nor will we be responsible for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

**4.11 Advanced Payment for Medical Treatment.** In the event we incur or advance payment for your medical treatment or for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment (even in the event such medical care is given at the direction of your attending physician or the Medical Director without your prior approval), you shall promptly reimburse us for such payments. Upon cancellation of this Agreement for any reason, any amounts due to us under this Paragraph 4.11 shall be offset against any refund of the Entrance Fee.

**4.12 Medicare and Health Insurance.** The Community Health Center has received Medicare certification on six (6) of its nursing beds. When eligible, you are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility. You shall furnish to us such evidence of coverage as we may from

time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in the Community Health Center or a Comparable Facility. If you are eligible to receive the six (6) days of nursing care in the Community Health Center as provided in Paragraph 4.4 and your stay in the Community Health Center is a Medicare-qualified stay, such six (6) days will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B and acceptable supplemental health insurance or equivalent insurance coverage.

If you are not eligible for Medicare, you shall maintain health insurance coverage acceptable to us and shall furnish us with evidence of such coverage upon our request. Should your health insurance not fully cover your stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each admission and stay in the Community Health Center or a Comparable Facility.

If failure to maintain Medicare Part A, Medicare Part B, supplemental health insurance or other health insurance coverage causes depletion of your resources and impairs your ability to meet your financial

obligations, we need not defer your financial obligations to us as outlined in Paragraph 6.1, and we retain the right to cancel the Residency Agreement as provided in Section 8.

**4.13 Managed Care.** If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:

**4.13.1 Participating Provider.** If the Community Health Center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, the Community agrees to be reimbursed at the rate negotiated with your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 4.10.

**4.13.2 Not a Participating Provider.** If the Community Health Center is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all charges for health care

services. In addition, while receiving health care services at the managed care participating provider, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above. Such a stay at a managed care participating provider will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable.

**4.13.3 Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we will attempt to negotiate a reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 4.10.

**4.13.4 No Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive nursing care in the Community Health Center during a



Medicare-qualified stay, then each day of your stay in the Community Health Center will reduce by one day the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. During any such Medicare-qualified stay in the Community Health Center, you agree that you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above and any charges for physician services and any additional health services as outlined in Paragraph 4.10. If at any time during any such Medicare-qualified stay in the Community Health Center you are no longer eligible to receive any of the days of care provided for in Paragraph 4.4, then you agree to pay the per diem charge for your care in the Community Health Center, the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, and any charges for physician services and any additional health services as outlined in Paragraph 4.10.

**4.13.5 Post Medicare-Qualified Stay.** At the conclusion of each such Medicare-qualified stay, you will be entitled to care in the Community Health Center in accordance with the terms of this Agreement other than as provided in this Paragraph 4.13, as adjusted to reflect any reduction during such stay in the number of days of care that you are eligible to receive without additional charge as provided in Paragraph 4.4, as applicable.

**4.14 Long-Term Care Insurance.** We will use reasonable efforts to assist you in working with your long-term care insurance provider to obtain the benefits to which you may be entitled.

**4.15 Transfer to Hospital or Other Care Facility.** If we determine after consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond that which the Community Health Center is licensed to provide, you will be transferred to a hospital or other care facility. Our staff will not accompany you to the hospital or other facility. We shall not be responsible for any charges associated with the transfer and health care expenses or charges incurred by you after such a transfer. You shall continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5 above.

**4.16 Community Health Center Admission Agreement.** If you require care in the Community Health Center, you agree to enter into a separate admission agreement for the appropriate level of care, which will be signed by you and us.

**4.17 Under Age 62.** If you are under the age of 62 when you occupy your Residence under this Agreement, you are not eligible to receive the six (6) days of care in the Community Health Center as described in Paragraph 4.4 until you attain the age of 62. During this time, you will be entitled to Health Center Level Services at the then-current per diem charge being charged to nonresidents until age 62.

## **5. REPRESENTATIONS.**

**5.1 Our Representations.** We represent and warrant that we are a nonprofit corporation. We are exempt from payment

of Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. We are affiliated with the North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction. The North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction is not responsible for our financial or contractual obligations.

**5.2 Your Representations.** You represent and warrant that the representations made in the application for residency, your personal health history, and the confidential financial statement are true and correct and may be relied upon by us as a basis for your acceptance for residency at the Community. You also represent and warrant that you have not made any gift of your property in contemplation of the execution of this Agreement.

## **6. PROMISES.**

**6.1 Our Promises.** It is and shall be our declared policy to operate as a non-profit organization. We will not cancel this Agreement without just cause as specified in Section 8. Further, we shall not cancel this Agreement solely by reason of your financial inability to pay the full Monthly Fee or the per diem charge for care in the Community Health Center, provided you have met all "spend-down" provisions of eligibility for the Medicaid program and any public assistance funds. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. You shall be permitted to remain at the Community for a reduced fee based on your ability to pay for as long as you

establish facts to justify deferment of such charges and when deferment of such charges can, in our sole discretion, be granted without impairing our ability to operate the Community on a sound financial basis for the benefit of all residents.

**6.2 Your Promises.** You agree to comply with all policies and procedures of the Community as now existing or as hereafter amended; to pay the Entrance Fee, Monthly Fee, and any other charges as provided in this Agreement; to not impair your ability to meet the financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance, without our consent; to apply for public assistance funds (if available) and/or Medicaid (if the Community Health Center becomes Medicaid certified) if you should need financial assistance as outlined in Paragraph 6.1 above while receiving Health Center Level Services; and to abide by all other terms of this Agreement.

## **7. CANCELLATION BY RESIDENT.**

**7.1 Right of Rescission.** Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. However, if you occupy the Residence during the rescission period and then rescind this Agreement, you will only be charged a Monthly Fee for the period of time that you actually occupied the Residence. Refund of the amount of the

Entrance Fee paid shall be as outlined in Paragraph 9.2.

**7.2 Cancellation Prior to Occupancy.** You may cancel this Agreement for any reason at any time before you move into the Community by giving us written notice signed by you (both of you in the case of Joint Residents). Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 9.3 or 9.4. If you die prior to occupying the Residence or if, on account of illness, injury or incapacity, you are precluded from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel upon our receipt of notice of your death, illness, injury or incapacity. If you elect to cancel this Agreement because of a substantial change in your physical, mental, or financial condition prior to occupancy, then this Agreement will cancel upon written notice from you. Refund of the Entrance Fee shall be as outlined in Paragraph 9.3.

**7.3 Cancellation Due to Residence Not Available.** You may cancel this Agreement upon written notice to us if we have not made the Residence available to you for occupancy within two (2) years from the date we execute this Agreement. Refund of the Entrance Fee shall be as outlined in Paragraph 9.7.

**7.4 Cancellation After Occupancy.** You may cancel this Agreement for any reason after moving into the Community by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must remove your personal property from the Residence and from any storage unit within said thirty (30) day notice period as outlined in Paragraph 3.7.3. You are

obligated to pay the Monthly Fee during the thirty (30) days, and thereafter if the Residence has not been released to us in accordance with Paragraph 1.5.3 above. Refund of the Entrance Fee shall be as outlined in Paragraph 9.5.

**7.5 Cancellation Due to Death After Occupancy.** This Agreement will automatically cancel upon your death (unless you have a surviving Joint Resident). Your estate must remove your personal property from the Residence and from any storage unit within thirty (30) days after your death as outlined in Paragraph 3.7.1. Your estate will be obligated to pay the Monthly Fee as outlined in Paragraph 1.5.1 above. Refund of the Entrance Fee shall be as outlined in Paragraph 9.5.

## **8. CANCELLATION BY UMRH.**

**8.1 Cancellation Upon Notice.** We may, upon notice and opportunity to cure as hereinafter provided, cancel this Agreement for just cause. Just cause shall include the occurrence of any of the following events (hereinafter referred to as a "Default"):

### **8.1.1 Noncompliance.**

You do not comply with the terms of this Agreement or the published operating procedures, covenants, rules, regulations, and policies now existing or later amended by us.

### **8.1.2 Misrepresentation.**

You misrepresent yourself or fail to disclose information during the residency process.

**8.1.3 Entrance Fee Installments.** You fail to pay the Entrance fee installments as outlined in

Paragraphs 1.2.1, 1.2.2, 1.2.3 and 1.2.4 when due.

**8.1.4 Nonpayment.** You fail to pay any charges to us, subject to the provisions of Paragraph 6.1, within forty-five (45) days of the date when such charges are due.

**8.1.5 Threat to Health or Safety.** Your health status or behavior constitutes a substantial threat to the health, safety or peace of yourself, other residents, or others including your refusal to consent to relocation, or behavior that would result in physical damage to the property of the Community or others.

**8.1.6 Change in Condition.** There is a major change in your physical or mental condition and your condition cannot be cared for in the Community Health Center within the limits of our license.

**8.2 Default Notice.** Prior to cancellation for any Default described in Paragraph 8.1.1, 8.1.2, 8.1.3 or 8.1.4 above, we shall give you notice in writing of such Default, and you shall have at least thirty (30) days thereafter within which to correct such Default. No Default shall eliminate your obligation to pay the Monthly Fee. If you correct such Default within such time, this Agreement shall not be canceled. If you fail to correct such Default within such time, this Agreement shall cancel at the expiration of such thirty (30) days.

In the event of the occurrence of a Default described in Paragraph 8.1.5 or 8.1.6 above, if we or the Medical Director determines that either the giving of notice of Default or the lapse of time as above provided might be detrimental to you or

others, then such notice and/or waiting period prior to cancellation shall not be required. Also, in the event of the occurrence of a Default described in Paragraph 8.1.5 or 8.1.6, we are expressly authorized by you to transfer you to an appropriate hospital or other facility, and we will promptly notify your personal representative or attending physician.

## **9. REFUND OF ENTRANCE FEE.**

**9.1 Nonacceptance by Us.** If we do not accept you for residency at the Community, the full amount of the Entrance Fee you have paid will be promptly refunded to you, without interest.

**9.2 Right of Rescission.** If you rescind this Agreement as provided in Paragraph 7.1, you shall receive a full refund of the portion of the Entrance Fee paid by you, without interest, within sixty (60) days of our receipt of the written notice of rescission.

**9.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, or Incapacity.** If, prior to occupancy and after your right of rescission period has expired, you die or you cancel this Agreement because of illness, injury or incapacity, you or your estate will receive a refund of the portion of the Entrance Fee you have paid, without interest, less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days following (i) the date of automatic cancellation of this Agreement; or (ii) the date of our receipt of your written notice of cancellation.

**9.4 Cancellation Prior to Occupancy for Other Reasons.** If you cancel

this Agreement for reasons other than those stated in Paragraphs 9.2 or 9.3 above, you shall receive a refund of the Entrance Fee paid, less a non-refundable portion of the Entrance Fee equal to Two Thousand Dollars (\$2,000) and less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid when the Residence is reserved by a new resident and the new resident has paid the appropriate Entrance Fee installments to equal the Entrance Fee installments to be refunded to you.

**9.5 Cancellation After Occupancy.** In the event you or we cancel this Agreement after occupancy or in the event of your death (the death of the survivor in the case of Joint Residents), you or your estate will be reimbursed the amount of the Entrance Fee previously paid by you, less two percent (2%) for each month of residency or portion thereof, for up to ten (10) months. Subject to our offset rights outlined in Paragraph 9.6, the refund of the Entrance Fee will not be less than eighty percent (80%). Said refund will be paid, without interest, at such time as a new resident has paid the full amount of the Entrance Fee for your Residence or within two (2) years from the date of cancellation, whichever occurs first.

**9.6 Offset Against Entrance Fee Refund.** In the event of cancellation of this Agreement as described in Paragraph 9.5 above, we will offset against any Entrance Fee refund due to you or your estate the following:

**9.6.1** The amount of any unpaid Monthly Fees, prorated Monthly Fees for the period of time the Residence was occupied (which

shall include the period of time until you or your personal representative removes all of your personal property from the Residence and from any storage unit) after cancellation of this Agreement, any Extra Charges, or other charges deferred by us on your behalf under Paragraph 6.1; and

**9.6.2** Any health care expenses incurred on your behalf and other amounts payable to us, which remain unreimbursed; and

**9.6.3** Any charges incurred to restore the Residence to good condition, normal wear and tear excepted, as outlined in Paragraph 3.11; and

**9.6.4** Any charges incurred as a result of options and custom features added to the Residence at your request as outlined in Exhibit A or in a separate addendum to this Agreement.

**9.7 Availability of the Residence.** If the Residence is not available to you for occupancy within two (2) years from the date we execute this Agreement, you may terminate this Agreement upon written notice to us. In such event, the full amount of the Entrance Fee you have paid will be refunded to you, without interest, within thirty (30) days from the date we receive your notice of termination.

## **10. MISCELLANEOUS.**

**10.1 Nature of Rights.** You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this

Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 9; (ii) this Agreement and your contractual right to occupy the Community will exist and continue to exist during your lifetime unless canceled as provided herein; (iii) this Agreement grants you the right to occupy and use space in the Community but does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement grants to us complete decision-making authority regarding the management and operation of the Community.

**10.2 Release.** We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from any such liability. You may want to obtain at your own expense insurance to protect against such losses.

**10.3 Amendment.** This Agreement may be amended by agreement of the parties to this Agreement. No amendment of this Agreement shall be valid unless in writing and signed by you and us.

**10.4 Law Changes.** This Agreement may be modified by us at any time in order to comply with applicable laws or regulations. Further, we may change any part of the Community, including the Residence, to meet the requirements of any applicable law or regulation.

**10.5 Entire Agreement.** This Agreement and any addenda or amendments thereto contain our entire understanding with respect to your residency at the Community.

**10.6 Monthly Statement.** You shall receive a monthly statement from us showing the total amount of fees and other charges owed by you, which shall be paid upon receipt and by no later than the fifteenth (15<sup>th</sup>) day of each month.

**10.7 Responsible Party for Business and Financial Decision Making.** Prior to assuming residency at the Community, you agree to execute and deliver to us a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Community.

**10.8 Disposition of Furniture, Possessions, and Property.** You agree to make provision by Will or otherwise for the disposition of all of your furniture, property, and possessions located on the premises of the Community within sixty (60) days after the date of residency.

**10.9 Nonwaiver.** If we fail to insist in any instance upon performance of any of the terms, promises, or conditions of this Agreement, it shall not be construed as a waiver or relinquishment of the future performance of any such terms, promises, or conditions, but your obligation with respect

to such future performances shall continue in full force and effect.

**10.10 Notices.** Any notice required to be given to us under this Agreement shall be in writing and sent certified mail, return receipt requested, with all postage and charges prepaid, or hand-delivered to the Executive Director of the Community at 100 Hickory Street; Greenville, North Carolina 27858. Such notices shall be dated and signed.

Any notice required to be given to you shall be delivered to you at the Community or at such other place as you shall designate to us in writing and sent by certified mail or hand delivered. All notices mailed in accordance with this Paragraph shall be deemed to be given when mailed whether or not they are actually received.

**10.11 Indemnity.** We will not be liable for and you agree to indemnify, defend and hold us harmless from claims, damages and expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to, or in any way connected with your negligent or intentional act or omission or that of your guests.

**10.12 Severability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

**10.13 Subordination.** You agree that all your rights under this Agreement will always be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Community, which have been or will be executed by us.

Upon request, you agree to execute, acknowledge and deliver to such lender(s) such further written evidence of such subordination as such lender(s) may reasonably require. Except to the extent of your obligation to pay the Monthly Fee and Second Person Monthly Fee, you shall not be liable for any such indebtedness.

**10.14 Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. This Agreement will become effective upon acceptance and signature by us.

**10.15 Resident.** In the case of Joint Residents, the rights and obligations of each are joint and several, except as the context of this Agreement otherwise requires.

**10.16 Reimbursement for Loss or Damage.** You or your responsible party, if applicable, agree to reimburse us for any loss or damage to the Community caused by your intentional, careless, or negligent acts or omissions or that of your guests.

**10.17 Charges for Collection.** You agree to reimburse us for any charges we incur to collect any unpaid amounts you or estate owes to us under this Agreement.

**10.18 Sale or Transfers of Interest.** We may sell or transfer our interest in the Community provided the buyer will agree to assume this Agreement and all other existing Residency Agreements. Upon the assumption of this Agreement by a buyer of the Community and its agreement to perform this Agreement and all other agreements, we will have no further obligation hereunder. Your signature

hereto constitutes your consent and approval of any such future transaction.

**10.19 Private Employee of Resident.** If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency (personal service provider). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home health agency. In any event, you must comply with our policy regarding personal service providers, and ensure that your private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct set forth in our policy. If you fail to follow or enforce the policies and rules set forth therein, then we may elect, in our sole option, to cancel this Agreement.

**10.20 Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement as more fully explained in our Disclosure Statement.

**10.21 Management.** We have engaged the services of Life Care Services LLC ("LCS") to manage Cypress Glen. We are not affiliated with LCS nor is LCS responsible for our contractual or financial obligations or the contractual or financial obligations of Cypress Glen.

**10.22 Governing Law.** This Agreement will be governed, interpreted and construed according to the laws of the State of North Carolina.

**10.23 Survival of Representations and Obligations.** Your representations and obligations under this Agreement, including but not limited to, your obligation to pay all sums owed by you to us, and your

agreement to indemnify us as set forth in Paragraph 10.11, and our representations and obligations under this Agreement, will survive any cancellation of your residency in the Community, regardless of the reason for such cancellation and regardless of whether it is initiated by you or by us.

## **11. MEDIATION AND ARBITRATION.**

**11.1 Mediation.** In the event a dispute, claim or controversy of any kind arises between the parties – except for those disputes, claims or controversies arising under Paragraph 11.3 below – that cannot be resolved by mutual agreement, the parties agree to submit such dispute, claim or controversy to a neutral mediator for possible resolution. The parties will jointly agree on a neutral mediator. Each party shall submit all evidence or information in writing to the mediator in support of its contentions or allegations and any defense either party may have with respect to the dispute, claim or controversy. Each party shall have the right to a hearing before the mediator and to personally present information pertinent to such dispute, claim or controversy. The mediator shall assist each party, in an unbiased manner, in reaching an amicable agreement regarding the dispute, claim or controversy. If an amicable agreement is not reached, or if either party fails or refuses to negotiate or mediate in good faith to resolve the matter, or if a neutral mediator cannot be agreed upon between the parties, then the parties agree to submit such dispute, claim or controversy to an arbitration process as outlined below.

**11.2 Arbitration.** In the event a dispute, claim or controversy of any kind arising out of or relating to this Agreement – except for those disputes, claims or



controversies arising under Paragraph 11.3 below – cannot be resolved through mediation as described in Paragraph 11.1 above, the parties agree that said dispute, claim, or controversy will be submitted to and determined by arbitration in Pitt County, North Carolina in accordance with the Federal Arbitration Act. You and we will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in state law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all residents of the Community provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue affects more than one (1) resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us. This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

**11.3 Voluntary Arbitration of Negligent Health Care Claims.** For all claims for damages in personal injury or wrongful death actions, based on alleged negligence in the provision of health care,

the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C. G.S. §90-21.60(b) prohibits any contract from requiring prior agreement of the parties to arbitrate negligent health care claims. Thus, Paragraphs 11.1 and 11.2 do not apply to personal injury or wrongful death actions based on alleged negligence in the provision of health care. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

[Signature Page Follows]

You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement dated \_\_\_\_\_, 20\_\_\_\_.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

**THE UNITED METHODIST  
RETIREMENT HOMES,  
INCORPORATED  
d/b/a Cypress Glen Retirement  
Community**

\_\_\_\_\_  
RESIDENT

By \_\_\_\_\_  
Executive Director

\_\_\_\_\_  
Witness

Date: \_\_\_\_\_

\_\_\_\_\_  
RESIDENT

By \_\_\_\_\_  
Authorized Agent of UMRH

\_\_\_\_\_  
Witness

Date: \_\_\_\_\_

Attachment: Exhibit A

80 Percent Return of Capital Residency  
Agreement - Cottage or Villa to be  
Constructed (2018-02-05) CLEAN.docx

**Exhibit A**

<b>Options and Custom Features Added at Resident's Request:</b>	<b>Amount</b>
	\$
	\$
	\$
	\$
	\$
	\$
<b>Total</b>	\$

**Initials** \_\_\_\_\_  
**Community**

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

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

WBD(US) 41242208v3



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**90 Percent Return of Capital™  
Residency Agreement  
(For Cottage or Villa To Be Constructed)**

02/05/2018



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Exhibit A – Options and Custom Features Added at Resident's Request

## GLOSSARY

The following terms are described as used in the accompanying Residency Agreement. Reference to the Residency Agreement and the context in which the terms are used is recommended to provide a fuller understanding of each of the terms:

**"Agreement"** means the Residency Agreement, entered into between the Resident and The United Methodist Retirement Homes, Incorporated, which outlines the contractual obligations of both parties.

**"Community"** means the continuing care retirement community known as "Cypress Glen Retirement Community," including all of the residences, common areas, and site amenities.

**"Entrance Fee"** means payment that assures a resident a place at the Community for life as long as the resident complies with terms of this Agreement. At the time the resident makes application for residency at the Community, the resident will sign a Residency Agreement to reserve the residence selected and will pay an Entrance Fee deposit to the Community. The balance of the Entrance Fee will be paid in incremental percentages on set dates with the remaining balance paid on the earlier of (i) occupancy or (ii) 30 days from the date that you are notified that the residence is ready for occupancy. Specific information is located in Paragraph 1.2 of this Agreement.

**"Extra Charges"** means the additional fees required to be paid for the additional services and amenities requested by Resident, as set forth in Paragraph 2.2 of this Agreement.

**"Health Center"** means the portion of the Community, which is licensed to provide three levels of care: assisted living care, memory care, and nursing care, as described in Section 4 of the Agreement.

**"Monthly Fee"** means that fee payable each month by the Resident as set forth in Paragraphs 1.3 and 1.4 of the Agreement, in consideration for the services and amenities provided to the residents of the Community described in Paragraph 2.1 of this Agreement. If there are Joint Residents under this Agreement, the Monthly Fee will include a "Second Person Monthly Fee."

**"Residence"** means the cottage to be constructed at the Community identified in the introductory paragraph of the Agreement, in which the Resident has the right to live pursuant to this Agreement in exchange for paying the Entrance Fee and the Monthly Fee.

**"Resident" or "you"** means the Resident(s) who sign this Agreement. Sometimes a second resident (if there are two of you) is referred to in this Agreement as the "Joint Resident." Further, both Residents may be referred to as "Joint Residents." Unless otherwise indicated, "you" refers to both of you if there are two of you.

**"Responsible Party"** refers to that person who may act on resident's behalf, including signing this Agreement.

**"The United Methodist Retirement Homes, Incorporated" or "we" or "our" or "us"** means the owner of the retirement community known as Cypress Glen Retirement Community, including all of the residences, common areas, and site amenities associated with these areas. The United Methodist Retirement Homes, Incorporated is a North Carolina non-profit corporation.





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**Residency Agreement  
90 Percent Return of Capital™  
(For Cottage or Villa To Be Constructed)**

**INTRODUCTION**

This 90 Percent Return of Capital™ Residency Agreement (For Cottage or Villa To Be Constructed) ("Agreement") is entered into by The United Methodist Retirement Homes, Incorporated ("UMRH," "we," "us," or "our") and \_\_\_\_\_ (individually or collectively, "you," "your," or "Resident"). Cypress Glen Retirement Community is a continuing care retirement community located at 100 Hickory Street; Greenville, NC 27858 ("Cypress Glen" or "Community").

We will provide residential housing for seniors along with a wide array of personal services and amenities outlined in this Agreement. Subject to the conditions contained in this Agreement, we agree to make available to you the Residence described as follows:

Residence Number \_\_\_\_\_  
Residence Style \_\_\_\_\_

You may select certain options and custom features in the Residence at an additional charge, which shall not be subject to any refund provision herein. Any such options and custom features selected and paid for by you will become our property. Such options and custom features must be approved by the Executive Director of the Community prior to adding them to the Residence. The Executive Director of the Community has consented to your request to add the options and custom features set forth on Exhibit A attached to this Agreement. You agree to pay the amount(s) set forth on Exhibit A to cover the charges for such items.

As a Resident of the Community, you are offered lifetime use of your Residence and lifetime access to the Community Health Center, subject to the terms and conditions of this Agreement.

To be accepted for residency, you must meet our residency criteria, which includes: having reached the age of 62 (or sharing your Residence with a Joint Resident who is 62 or older); financial guidelines; and the ability to live in a residence (with or without reasonable accommodation and/or reasonable modification) – all as outlined in our current residency policy.

The purpose of this Agreement is to set forth your rights and duties as a Resident of the Community and to delineate the services to be provided at the Community.

## **1. CHARGES FOR RESIDENCE AND PRIMARY SERVICES.**

**1.1 Application Fee.** Prior to or upon your execution of this Agreement, you will pay to us a non-refundable Application Fee of \$\_\_\_\_\_. The Application Fee will be used by us to process your application for residency.

**1.2 Entrance Fee.** In order to reside at the Community for life, subject to this Agreement, and to receive the services and amenities described below, you agree to pay to us (in addition to the Monthly Fee described below) an Entrance Fee in the amount of \$\_\_\_\_\_ (includes first and second person, if applicable). The total amount of the Entrance Fee shall be payable as follows:

**1.2.1** Ten percent (10%) of the total Entrance Fee is \$\_\_\_\_\_, less any previously paid Future Resident Fee (\$\_\_\_\_\_), equals \$\_\_\_\_\_, which amount is due and payable upon your execution of this Agreement.

**1.2.2** The balance of \$\_\_\_\_\_ (ninety percent (90%) of the Entrance Fee) shall be paid to us on the earlier of (i) the date you assume occupancy at the Community or (ii) within thirty (30) days from the date you are notified that the Residence is ready for occupancy.

**1.3 Monthly Fee.** You are obligated to begin paying a Monthly Fee (or a pro rata portion thereof) on the earlier of (i) the date you assume occupancy at the Community or (ii) within thirty (30) days from the date you are notified that the Residence is ready for occupancy. Thereafter, the Monthly Fee is due upon receipt of a statement from us and by no later than the fifteenth (15<sup>th</sup>) of each month. The Monthly Fee is initially set at a specific

amount that can be increased as described in Paragraph 1.6 below. A "Second Person Monthly Fee" shall become part of the Monthly Fee and shall be paid if two persons are Joint Residents under this Agreement. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component.

**1.4 Initial Monthly Fee.** The initial Monthly Fee payable by you is \$\_\_\_\_\_ per month and an additional \$\_\_\_\_\_ per month as a Second Person Monthly Fee component of the Monthly Fee if two persons reside as Joint Residents pursuant to this Agreement.

**1.5 Continuance of Monthly Fee.** Payment of the Monthly Fee will continue as follows:

**1.5.1** In the event of your death (in the case of Joint Residents, the death of the surviving Resident), until your estate removes all of your personal property from the Residence and from any storage unit.

**1.5.2** In the event of your permanent relocation to Health Center Level Services or Comparable Facility for Health Center Level Services (see definitions in Paragraphs 4.1 and 4.2), or to another care facility licensed to provide the appropriate care you need, until you or your personal representative removes all of your personal property from the Residence and from any storage unit.

**1.5.3** In the event of cancellation of this Agreement as outlined in Section 7 or 8, until expiration of the cancellation period

and continues until you remove all of your personal property from the Residence and from any storage unit.

**1.6 Increase in Monthly Fee.**

The Monthly Fee is paid to us to provide the services and amenities described in this Agreement and is intended to meet the expenses associated with the operation of the Community. We may increase the Monthly Fee (which includes the Second Person Monthly Fee where applicable) upon thirty (30) days' written notice if we, in our sole discretion, deem it necessary to meet the financial needs of the Community or to provide quality services to the Residents.

**1.7 Reduction in Monthly Fee Due to Absence.**

Upon the request of the Resident, the Community will provide a reduction in the Monthly Fee when a Resident is absent from the Community, equal to the raw food costs determined through the Community's budgeting process, outlined as follows:

- Two (2) Meals a Day Plan: Must be absent from the Community for more than forty-five (45) consecutive days to qualify for the reduction. The reduction begins on day 46.
- Twenty-Five (25) Meals a Month Plan: Must be absent from the Community for more than ninety (90) consecutive days to qualify for the reduction. The reduction begins on day 91.

**1.8 Reserve Funds.** The amount of the Monthly Fee also is and will continue to be affected by our policy of maintaining reserve funds for the financial security of the Community.

**1.9 Late Payment Charge.** We will charge a late payment charge in the amount of twenty-five dollars (\$25.00) if the Monthly Fees or any Extra Charges are not

paid by the fifteenth (15<sup>th</sup>) day of the month. Balances over thirty (30) days old will be assessed a one percent (1%) interest charge per month. If we hire a collection agency or attorney to collect the Monthly Fee and Extra Charges past due from you, you are to pay any and all costs of collection, including reasonable attorney's fees, costs, and expenses associated with such collection efforts.

**2. DESCRIPTION OF PRIMARY AND SUPPLEMENTAL SERVICES.**

**2.1 Services Provided for the Monthly Fee.** We will provide you, in consideration for the Monthly Fee referred to above, the following services and amenities at the Community:

- Dining allowance equal to two (2) meals per day for residents of A and B wings; three (3) meals per day for residents of the C wing; and twenty-five (25) meals per month for residents of the D wing, East wing, West wing, and cottages;
- Limited meal delivery to be provided when approved by authorized staff;
- Consultation and preparation of routine special diets;
- Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;
- Standard television cable system;
- Building janitor and maintenance;
- Grounds keeping;
- Weekly housekeeping services;
- Laundry facilities for residents in the A, B and C wings; washers and dryers provided in the D wing, East wing, West wing and cottages;
- Planned activities (social, cultural, recreational, educational, and spiritual) for those who wish to participate;
- Services of a chaplain;

- Services of a life enrichment director;
- Parking for residents and guests;
- Carpeting (except in kitchen and bath), unless some other floor surface has been installed;
- Kitchen facilities;
- Scheduled local transportation as published by us, including transportation to local medical facilities (non-emergency);
- Limited additional storage space for A, B, C, D, East and West wing apartments;
- Emergency call system, with 24-hour check-in;
- Smoke detectors;
- Security – 24 hours a day; and
- Six (6) days each year of assisted living, memory care or nursing care in the Community Health Center as outlined in Paragraph 4.4.

**2.2 Supplemental Services Provided for Extra Charge.** Supplemental services, when available, will be provided at Extra Charge and are described below. A list of Extra Charges for these supplemental services can be obtained from administration.

- Extra meals, depending upon a resident's dining allowance;
- Extended meal delivery as approved by authorized staff;
- Preparation of special diets (beyond those which are routine), as prescribed by your attending physician;
- Additional housekeeping services;
- Guest accommodations, if available;
- Guest meals;
- Personal transportation and transportation for special events and group trips;
- Community Health Center services as outlined in Section 4 (including

assisted living, memory care, nursing care and the services of the Clinic);

- Wireless Internet; and
- Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, etc.) as outlined in Paragraph 4.10.

### **3. TERMS OF RESIDENCY.**

**3.1 Use of the Residence.** The Residence is for living only and will not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions. This Agreement is not a lease, and grants you only the right to live in the Residence, access to other facilities of the Community, and to available services and amenities, subject to the terms and conditions of this Agreement.

**3.2 Duration of Your Right to Occupy the Residence.** You may reside in your Residence for as long as you (or either of you in the case of Joint Residents) live unless you (both of you in the case of Joint Residents) are not capable of occupancy as set forth in our residency policy, or this Agreement is canceled by you or by us. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that you need assisted living services, memory care services, or nursing care services, you will be requested to relocate to the Community Health Center or Comparable Facility (as defined in Paragraph 4.2).

**3.3 Occupants of the Residence.** Except as hereinafter provided, no person other than you (both of you in the case of Joint Residents) may occupy the Residence. In the event that a second person who is not a party to this Agreement is accepted for residency in the Residence after the date we

sign this Agreement (said acceptance to be in accordance with our current residency policy), an Entrance Fee in an amount to be determined by us (which will be no more than one-half of the then-current Entrance Fee for the Residence) shall be paid upon residency, and each month thereafter, the then-current Second Person Monthly Fee shall be paid as part of the Monthly Fee. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than thirty (30) days, except with our express written approval.

If the Resident marries a person who is also a resident of the Community, and should they decide to occupy one residence as Joint Residents, they must declare which residence will be occupied and which residence will be released. The refund due for the released residence, if any, will be provided as described in Paragraph 9.5 of this Agreement.

**3.4 Guests.** Guests are welcome to stay in your Residence for short stays not to exceed ten (10) consecutive days. Such stay shall not, in the opinion of the Executive Director, adversely affect the operation of the Community or be inconsistent with the welfare of our residents.

**3.5 Release.** We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from such liability.

**3.6 Insurance.** Our insurance does not cover your personal property or your liability. It is recommended that you carry personal property insurance and liability insurance at your own expense to cover against any loss or damage to your personal

property or to the property of others caused by your negligence or that of your guests. If requested by us, you agree to provide us with proof of such insurance coverage.

### **3.7 Removal and Storage of Resident's Personal Property.**

**3.7.1** Within thirty (30) days following the date of your death (the death of the surviving Resident in the case of Joint Residents). If your personal property is not removed from the Residence and from any storage unit within such thirty (30) days, we will continue to charge your estate the Monthly Fee as outlined in Paragraph 1.5.1 above, or we may remove and store such personal property at the expense and risk of your estate. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated. We will only allow the executor(s) named in your Will to remove or dispose of your personal property in your living accommodation and any related storage unit at the Community. Members of your family or those to whom you have granted power of attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

**3.7.2** Within thirty (30) days following the date notice is delivered to you of your permanent relocation to the Community Health Center or Comparable Facility for Health Center Level Services (see definitions in Paragraphs 4.1 and 4.2), or to another care facility licensed to provide the appropriate care you need. If your personal property is not removed from your

Residence and from any storage unit within such thirty (30) days, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.2 above, or we may remove and store such personal property at your expense and risk.

**3.7.3** At the end of the cancellation period outlined in Section 7 or 8. If your personal property is not removed from your Residence and from any storage unit by the end of the cancellation period, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.3 above, or we may remove and store such personal property at your expense and risk. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated.

**3.8 Furnishings.** Furnishings within the Residence will not be provided by us except as stated in Paragraph 2.1. Furnishings provided by you shall not be such as to interfere with your health, safety or general welfare, or that of other residents or others.

**3.9 Emergency Entry and Relocation.** We may enter your Residence should it be necessary in an emergency to protect your health or safety or the health or safety of other residents. If relocation is recommended by the Medical Director or your attending physician, we will request that you relocate to another residence within the Community, or to the Community Health Center or a Comparable Facility (as defined in Paragraph 4.2), or to a hospital or other health care facility for the protection of your health or safety or for the health or safety of the other residents of the Community.

**3.10 Alterations by You.** You may not undertake any alterations to your Residence without our prior written approval. Said alterations will be set forth in a separate addendum to this Agreement, signed by you and us.

**3.11 Condition of Residence.** Upon vacating the Residence, you agree to leave it in good and clean condition. You shall be liable to us for any charges incurred to restore your Residence to good and clean condition, except for normal wear and tear.

**3.12 Rights of Second Single Resident.** When two Joint Residents reside in a single Residence under this Agreement, upon the death or permanent relocation of one Resident to a different level of care at the Community, or other inability of that Resident to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the terms of this Agreement and shall pay the Monthly Fee.

**3.13 Smoke-Free Community.** The Community is a smoke-free community, pursuant to its Smoke-Free Community Policy (a copy of which is available upon request), wherein the campus and buildings have been designated as "smoke free". Smoking (including E-Cigarettes) is not allowed by residents, guests, staff, and business invitees in any part of the Community (except in designated outdoor areas), including, but not limited to, the residences, the Community Health Center (including the assisted living facility, memory care unit, and the nursing facility), hallways, dining rooms, public restrooms, lounge areas, reception areas, waiting rooms, courtyards, entrances, walking paths, driveways, and any other common areas of the Community. Outside designated smoking areas will be posted. Violation of the Smoke-Free Community Policy can result in our

cancellation of this Agreement for just cause as outlined in Paragraph 8.1 hereof.

**3.14 Firearms Policy.** The Community has adopted a policy governing the possession of firearms at the Community. Firearms need to be registered with the Community and properly secured. In the event that you are unable to safely maintain a firearm, we will contact your designated power of attorney, legal representative or family member to remove any firearms from your Residence.

#### **4. THE COMMUNITY HEALTH CENTER.**

**4.1 Description.** The Community Health Center is the portion of the Community which is licensed to provide three levels of care: assisted living care, memory care, and nursing care (collectively "Health Center Level Services"). The Community Health Center is staffed by licensed nursing personnel 24 hours a day.

**4.2 Alternate Accommodations.** You will be given priority over non-residents for admission to the Community Health Center. In the event the Community Health Center is fully occupied when you are determined to need such care, you agree to relocate to an alternate health care facility that provides services similar to the Community Health Center or to another care facility licensed to provide the appropriate care you need (a "Comparable Facility") until an appropriate space becomes available for you at the Community. We will not be responsible for the charges associated with the Comparable Facility. Upon your relocation to a Comparable Facility, you shall continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

**4.3 Clinic.** The Clinic is available for certain examinations,

consultations, tests and appointments. Such services will be at an Extra Charge to you.

**4.4 Six (6) Days of Assisted Living, Memory Care or Nursing Care.** You are eligible to receive a total of six (6) days each year of either assisted living care, memory care or nursing care in the Community Health Center while you are a resident of your Residence. In the case of Joint Residents, each of you will receive six (6) days, but the days cannot be combined and used by only one of you. Such six (6) days renews on an annual basis and does not accumulate. You are required to pay the charges for physician services and any additional health services as outlined in Paragraph 4.10. Once you are permanently assigned to assisted living, memory care or nursing care in the Community Health Center or Comparable Facility, you no longer qualify for the six (6) free days of assisted living, memory care or nursing care and will be required to pay the per diem charge for such care. **[NOTE: The six (6) days of care is a combined annual total for assisted living, memory care and nursing care at the Community.]**

**4.5 Transfer to Health Center Level Services.** In the event your physical or mental health is determined by us to be appropriate for Health Center Level Services, you agree to relocate to the Community Health Center or a Comparable Facility. Such a determination will be made by us after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

**4.6 Temporary Relocation to the Community Health Center.** In the event you require temporary care in the Community Health Center (beyond the six (6) days of care as outlined in Paragraph 4.4, if applicable), you will pay the per diem

charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 4.10. In addition, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above.

**4.7 Permanent Relocation to Health Center Level Services.** In the event you require permanent care in the Community Health Center (beyond the six (6) days of care as outlined in Paragraph 4.4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 4.10. If you are determined appropriate for Health Center Level Services, and are permanently relocated to the Community Health Center or a Comparable Facility, you will be required to release your Residence to us, and remove all of your personal property from the Residence and from any storage unit as outlined in Paragraph 3.7.2. We shall have the right to reassign the Residence for occupancy by others except as provided in Paragraph 3.12. Release of the Residence due to your permanent relocation to the Community Health Center or to a Comparable Facility does not qualify you for a refund of the Entrance Fee, unless this Agreement is canceled. Subject to the terms and conditions of this Agreement, you will continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

**4.8 Relocation within the Community Health Center.** We reserve the right to relocate you to a different level of care within the Community Health Center if you require such care. Such relocation will be made after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal

representative, and you to the extent possible.

**4.9 Return to Residence.** If we subsequently determine, in consultation with your attending physician, your personal representative and you to the extent possible, that you can resume occupancy in a residence equivalent to the residence you previously occupied, you shall have the right to relocate to such equivalent residence as soon as one is available. Upon reoccupying a residence, your Monthly Fee will be based on the then-current Monthly Fee for the residence.

**4.10 Medical Director, Attending Physician, and Additional Health Services.** We have designated a licensed physician to serve as Medical Director of the Community Health Center. You are required to have a local attending physician. You may engage the services of the Medical Director at your own expense. If your personal physician will be providing you with services in the Community Health Center, he/she may do so upon providing us with his/her credentials and with proof of liability insurance, and he/she agrees to abide by our policies and procedures. We will not be responsible for the charges for medical treatment or services by the Medical Director or your attending physician, nor will we be responsible for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

**4.11 Advanced Payment for Medical Treatment.** In the event we incur or advance payment for your medical treatment or for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment (even in the event such medical care is given at the direction of your attending physician or the



Medical Director without your prior approval), you shall promptly reimburse us for such payments. Upon cancellation of this Agreement for any reason, any amounts due to us under this Paragraph 4.11 shall be offset against any refund of the Entrance Fee.

**4.12 Medicare and Health Insurance.** The Community Health Center has received Medicare certification on six (6) of its nursing beds. When eligible, you are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility. You shall furnish to us such evidence of coverage as we may from time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in the Community Health Center or a Comparable Facility. If you are eligible to receive the six (6) days of nursing care in the Community Health Center as provided in Paragraph 4.4 and your stay in the Community Health Center is a Medicare-qualified stay, such six (6) days will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B and acceptable supplemental health insurance or equivalent insurance coverage.

If you are not eligible for Medicare, you shall maintain health insurance coverage acceptable to us and shall furnish us with evidence of such coverage upon our request. Should your health insurance not fully cover your stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each admission and stay in the Community Health Center or a Comparable Facility.

If failure to maintain Medicare Part A, Medicare Part B, supplemental health insurance or other health insurance coverage causes depletion of your resources and impairs your ability to meet your financial obligations, we need not defer your financial obligations to us as outlined in Paragraph 6.1, and we retain the right to cancel the Residency Agreement as provided in Section 8.

**4.13 Managed Care.** If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental health insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:

**4.13.1 Participating Provider.** If the Community Health Center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, the Community agrees to be reimbursed at the rate negotiated with your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as

any charges for physician services and any additional health services as outlined in Paragraph 4.10.

**4.13.2 Not a Participating Provider.** If the Community Health Center is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all charges for health care services. In addition, while receiving health care services at the managed care participating provider, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above. Such a stay at a managed care participating provider will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable.

**4.13.3 Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we will attempt to negotiate a reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care that you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. You will continue to pay the Monthly Fee for your Residence

in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 4.10.

**4.13.4 No Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive nursing care in the Community Health Center during a Medicare-qualified stay, then each day of your stay in the Community Health Center will reduce by one day the number of days of care you are eligible to receive without additional charge pursuant to Paragraph 4.4, as applicable. During any such Medicare-qualified stay in the Community Health Center, you agree that you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above and any charges for physician services and any additional health services as outlined in Paragraph 4.10. If at any time during any such Medicare-qualified stay in the Community Health Center you are no longer eligible to receive any of the days of care provided for in Paragraph 4.4, then you agree to pay the per diem charge for your care in the Community Health Center, the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, and any charges for physician services and any additional health services as outlined in Paragraph 4.10.

**4.13.5 Post Medicare-Qualified Stay.** At the conclusion of each such Medicare-qualified stay, you will be entitled to care in

the Community Health Center in accordance with the terms of this Agreement other than as provided in this Paragraph 4.13, as adjusted to reflect any reduction during such stay in the number of days of care that you are eligible to receive without additional charge as provided in Paragraph 4.4, as applicable.

**4.14 Long-Term Care Insurance.** We will use reasonable efforts to assist you in working with your long-term care insurance provider to obtain the benefits to which you may be entitled.

**4.15 Transfer to Hospital or Other Care Facility.** If we determine after consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond that which the Community Health Center is licensed to provide, you will be transferred to a hospital or other care facility. Our staff will not accompany you to the hospital or other facility. We shall not be responsible for any charges associated with the transfer and health care expenses or charges incurred by you after such a transfer. You shall continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5 above.

**4.16 Community Health Center Admission Agreement.** If you require care in the Community Health Center, you agree to enter into a separate admission agreement for the appropriate level of care, which will be signed by you and us.

**4.17 Under Age 62.** If you are under the age of 62 when you occupy your Residence under this Agreement, you are not eligible to receive the six (6) days of care in the Community Health Center as described in Paragraph 4.4 until you attain the age of 62. During this time, you will be

entitled to Health Center Level Services at the then-current per diem charge being charged to nonresidents until age 62.

## **5. REPRESENTATIONS.**

**5.1 Our Representations.** We represent and warrant that we are a nonprofit corporation. We are exempt from payment of Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. We are affiliated with the North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction. The North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction is not responsible for our financial or contractual obligations.

**5.2 Your Representations.** You represent and warrant that the representations made in the application for residency, your personal health history, and the confidential financial statement are true and correct and may be relied upon by us as a basis for your acceptance for residency at the Community. You also represent and warrant that you have not made any gift of your property in contemplation of the execution of this Agreement.

## **6. PROMISES.**

**6.1 Our Promises.** It is and shall be our declared policy to operate as a nonprofit organization. We will not cancel this Agreement without just cause as specified in Section 8. Further, we shall not cancel this Agreement solely by reason of your financial inability to pay the full Monthly Fee or the per diem charge for care in the Community Health Center, provided you have met all "spend-down" provisions of eligibility for the Medicaid program and any public assistance funds. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder by transfer of assets other than to meet

ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. You shall be permitted to remain at the Community for a reduced fee based on your ability to pay for as long as you establish facts to justify deferment of such charges and when deferment of such charges can, in our sole discretion, be granted without impairing our ability to operate the Community on a sound financial basis for the benefit of all residents.

**6.2 Your Promises.** You agree to comply with all policies and procedures of the Community as now existing or as hereafter amended; to pay the Entrance Fee, Monthly Fee, and any other charges as provided in this Agreement; to not impair your ability to meet the financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance, without our consent; to apply for public assistance funds (if available) and/or Medicaid (if the Community Health Center becomes Medicaid certified) if you should need financial assistance as outlined in Paragraph 6.1 above while receiving Health Center Level Services; and to abide by all other terms of this Agreement.

## **7. CANCELLATION BY RESIDENT.**

**7.1 Right of Rescission.** Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. However, if you occupy the Residence during the rescission period and

then rescind this Agreement, you will only be charged a Monthly Fee for the period of time that you actually occupied the Residence. Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 9.2.

**7.2 Cancellation Prior to Occupancy.** You may cancel this Agreement for any reason at any time before you move into the Community by giving us written notice signed by you (both of you in the case of Joint Residents). Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 9.3 or 9.4. If you die prior to occupying the Residence or if, on account of illness, injury or incapacity, you are precluded from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel upon our receipt of notice of your death, illness, injury or incapacity. If you elect to cancel this Agreement because of a substantial change in your physical, mental, or financial condition prior to occupancy, then this Agreement will cancel upon written notice from you. Refund of the Entrance Fee shall be as outlined in Paragraph 9.3.

**7.3 Cancellation Due to Residence Not Available.** You may cancel this Agreement upon written notice to us if we have not made the Residence available to you for occupancy within two (2) years from the date we execute this Agreement. Refund of the Entrance Fee shall be as outlined in Paragraph 9.7.

**7.4 Cancellation After Occupancy.** You may cancel this Agreement for any reason after moving into the Community by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must remove your personal property from the Residence and from any storage unit

within said thirty (30) day notice period as outlined in Paragraph 3.7.3. You are obligated to pay the Monthly Fee during the thirty (30) days, and thereafter if the Residence has not been released to us in accordance with Paragraph 1.5.3 above. Refund of the Entrance Fee shall be as outlined in Paragraph 9.5.

**7.5 Cancellation Due to Death After Occupancy.** This Agreement will automatically cancel upon your death (unless you have a surviving Joint Resident). Your estate must remove your personal property from the Residence and from any storage unit within thirty (30) days after your death as outlined in Paragraph 3.7.1. Your estate will be obligated to pay the Monthly Fee as outlined in Paragraph 1.5.1 above. Refund of the Entrance Fee shall be as outlined in Paragraph 9.5.

## **8. CANCELLATION BY UMRH.**

**8.1 Cancellation Upon Notice.** We may, upon notice and opportunity to cure as hereinafter provided, cancel this Agreement for just cause. Just cause shall include the occurrence of any of the following events (hereinafter referred to as a "Default"):

### **8.1.1 Noncompliance.**

You do not comply with the terms of this Agreement or the published operating procedures, covenants, rules, regulations, and policies now existing or later amended by us.

### **8.1.2 Misrepresentation.**

You misrepresent yourself or fail to disclose information during the residency process.

**8.1.3 Entrance Fee Installments.** You fail to pay the Entrance fee installments as outlined in

Paragraphs 1.2.1, 1.2.2, 1.2.3 and 1.2.4 when due.

**8.1.4 Nonpayment.** You fail to pay any charges to us, subject to the provisions of Paragraph 6.1, within forty-five (45) days of the date when such charges are due.

**8.1.5 Threat to Health or Safety.** Your health status or behavior constitutes a substantial threat to the health, safety or peace of yourself, other residents, or others including your refusal to consent to relocation, or behavior that would result in physical damage to the property of the Community or others.

**8.1.6 Change in Condition.** There is a major change in your physical or mental condition and your condition cannot be cared for in the Community Health Center within the limits of our license.

**8.2 Default Notice.** Prior to cancellation for any Default described in Paragraph 8.1.1, 8.1.2, 8.1.3 or 8.1.4 above, we shall give you notice in writing of such Default, and you shall have at least thirty (30) days thereafter within which to correct such Default. No Default shall eliminate your obligation to pay the Monthly Fee. If you correct such Default within such time, this Agreement shall not be canceled. If you fail to correct such Default within such time, this Agreement shall cancel at the expiration of such thirty (30) days.

In the event of the occurrence of a Default described in Paragraph 8.1.5 or 8.1.6 above, if we or the Medical Director determines that either the giving of notice of Default or the lapse of time as above provided might be detrimental to you or others, then such notice and/or waiting period prior to cancellation shall not be

required. Also, in the event of the occurrence of a Default described in Paragraph 8.1.5 or 8.1.6, we are expressly authorized by you to transfer you to an appropriate hospital or other facility, and we will promptly notify your personal representative or attending physician.

## **9. REFUND OF ENTRANCE FEE.**

**9.1 Nonacceptance by Us.** If we do not accept you for residency at the Community, the full amount of the Entrance Fee you have paid will be promptly refunded to you, without interest.

**9.2 Right of Rescission.** If you rescind this Agreement as provided in Paragraph 7.1, you shall receive a full refund of the portion of the Entrance Fee paid by you, without interest, within sixty (60) days of our receipt of the written notice of rescission.

**9.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, or Incapacity.** If, prior to occupancy and after your right of rescission period has expired, you die or you cancel this Agreement because of illness, injury or incapacity, you or your estate will receive a refund of the portion of the Entrance Fee you have paid, without interest, less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days following (i) the date of automatic cancellation of this Agreement; or (ii) the date of our receipt of your written notice of cancellation.

**9.4 Cancellation Prior to Occupancy for Other Reasons.** If you cancel this Agreement for reasons other than those stated in Paragraphs 9.2 or 9.3 above, you shall receive a refund of the Entrance Fee paid, less a non-refundable portion of the

Entrance Fee equal to Two Thousand Dollars (\$2,000) and less any costs specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid when the Residence is reserved by a new resident and the new resident has paid the appropriate Entrance Fee installments to equal the Entrance Fee installments to be refunded to you.

**9.5 Cancellation After Occupancy.** In the event you or we cancel this Agreement after occupancy or in the event of your death (the death of the survivor in the case of Joint Residents), you or your estate will be reimbursed the amount of the Entrance Fee previously paid by you, less two percent (2%) for each month of residency or portion thereof, for up to five (5) months. Subject to our offset rights outlined in Paragraph 9.6, the refund of the Entrance Fee will not be less than ninety percent (90%). Said refund will be paid, without interest, at such time as a new resident has paid the full amount of the Entrance Fee for your Residence or within two (2) years from the date of cancellation, whichever occurs first.

**9.6 Offset Against Entrance Fee Refund.** In the event of cancellation of this Agreement as described in Paragraph 9.5 above, we will offset against any Entrance Fee refund due to you or your estate the following:

**9.6.1** The amount of any unpaid Monthly Fees, prorated Monthly Fees for the period of time the Residence was occupied (which shall include the period of time until you or your personal representative removes all of your personal property from the Residence and from any storage unit) after cancellation of this Agreement, any

Extra Charges, or other charges deferred by us on your behalf under Paragraph 6.1; and

**9.6.2** Any health care expenses incurred on your behalf and other amounts payable to us, which remain unreimbursed; and

**9.6.3** Any charges incurred to restore the Residence to good condition, normal wear and tear excepted, as outlined in Paragraph 3.11; and

**9.6.4** Any charges incurred as a result of options and custom features added to the Residence at your request as outlined in Exhibit A or in a separate addendum to this Agreement.

**9.7 Availability of the Residence.** If the Residence is not available to you for occupancy within two (2) years from the date we execute this Agreement, you may terminate this Agreement upon written notice to us. In such event, the full amount of the Entrance Fee you have paid will be refunded to you, without interest, within thirty (30) days from the date we receive your notice of termination.

## **10. MISCELLANEOUS.**

**10.1 Nature of Rights.** You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 9; (ii) this Agreement and your contractual right to occupy the Community will exist and continue to exist during your lifetime unless canceled as provided herein; (iii) this Agreement grants you the right to

occupy and use space in the Community but does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement grants to us complete decision-making authority regarding the management and operation of the Community.

**10.2 Release.** We are not responsible for theft, loss of or damage to your personal property, unless such theft, loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from any such liability. You may want to obtain at your own expense insurance to protect against such losses.

**10.3 Amendment.** This Agreement may be amended by agreement of the parties to this Agreement. No amendment of this Agreement shall be valid unless in writing and signed by you and us.

**10.4 Law Changes.** This Agreement may be modified by us at any time in order to comply with applicable laws or regulations. Further, we may change any part of the Community, including the Residence, to meet the requirements of any applicable law or regulation.

**10.5 Entire Agreement.** This Agreement and any addenda or amendments thereto contain our entire understanding with respect to your residency at the Community.

**10.6 Monthly Statement.** You shall receive a monthly statement from us showing the total amount of fees and other charges owed by you, which shall be paid

upon receipt and by no later than the fifteenth (15<sup>th</sup>) day of each month.

**10.7 Responsible Party for Business and Financial Decision Making.** Prior to assuming residency at the Community, you agree to execute and deliver to us a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Community.

**10.8 Disposition of Furniture, Possessions, and Property.** You agree to make provision by Will or otherwise for the disposition of all of your furniture, property, and possessions located on the premises of the Community within sixty (60) days after the date of residency.

**10.9 Nonwaiver.** If we fail to insist in any instance upon performance of any of the terms, promises, or conditions of this Agreement, it shall not be construed as a waiver or relinquishment of the future performance of any such terms, promises, or conditions, but your obligation with respect to such future performances shall continue in full force and effect.

**10.10 Notices.** Any notice required to be given to us under this Agreement shall be in writing and sent certified mail, return receipt requested, with all postage and charges prepaid, or hand-delivered to the Executive Director of the Community at 100 Hickory Street; Greenville, North Carolina 27858. Such notices shall be dated and signed.

Any notice required to be given to you shall be delivered to you at the Community or at such other place as you shall designate to us in writing and sent by certified mail or hand delivered. All notices mailed in accordance with this Paragraph shall be deemed to be given when mailed whether or not they are actually received.

**10.11 Indemnity.** We will not be liable for and you agree to indemnify, defend and hold us harmless from claims, damages and expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to, or in any way connected with your negligent or intentional act or omission or that of your guests.

**10.12 Severability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

**10.13 Subordination.** You agree that all your rights under this Agreement will always be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Community, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender(s) such further written evidence of such subordination as such lender(s) may reasonably require. Except to the extent of your obligation to pay the Monthly Fee and Second Person Monthly Fee, you shall not be liable for any such indebtedness.

**10.14 Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. This Agreement will



become effective upon acceptance and signature by us.

**10.15 Resident.** In the case of Joint Residents, the rights and obligations of each are joint and several, except as the context of this Agreement otherwise requires.

**10.16 Reimbursement for Loss or Damage.** You or your responsible party, if applicable, agree to reimburse us for any loss or damage to the Community caused by your intentional, careless, or negligent acts or omissions or that of your guests.

**10.17 Charges for Collection.** You agree to reimburse us for any charges we incur to collect any unpaid amounts you or estate owes to us under this Agreement.

**10.18 Sale or Transfers of Interest.** We may sell or transfer our interest in the Community provided the buyer will agree to assume this Agreement and all other existing Residency Agreements. Upon the assumption of this Agreement by a buyer of the Community and its agreement to perform this Agreement and all other agreements, we will have no further obligation hereunder. Your signature hereto constitutes your consent and approval of any such future transaction.

**10.19 Private Employee of Resident.** If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency (personal service provider). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home health agency. In any event, you must comply with our policy regarding personal service providers, and ensure that your private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct set forth in our policy. If you fail to follow or enforce the policies and rules set

forth therein, then we may elect, in our sole option, to cancel this Agreement.

**10.20 Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement as more fully explained in our Disclosure Statement.

**10.21 Management.** We have engaged the services of Life Care Services LLC ("LCS") to manage Cypress Glen. We are not affiliated with LCS nor is LCS responsible for our contractual or financial obligations or the contractual or financial obligations of Cypress Glen.

**10.22 Governing Law.** This Agreement will be governed, interpreted and construed according to the laws of the State of North Carolina.

**10.23 Survival of Representations and Obligations.** Your representations and obligations under this Agreement, including but not limited to, your obligation to pay all sums owed by you to us, and your agreement to indemnify us as set forth in Paragraph 10.11, and our representations and obligations under this Agreement, will survive any cancellation of your residency in the Community, regardless of the reason for such cancellation and regardless of whether it is initiated by you or by us.

## **11. MEDIATION AND ARBITRATION.**

**11.1 Mediation.** In the event a dispute, claim or controversy of any kind arises between the parties – except for those disputes, claims or controversies arising under Paragraph 11.3 below – that cannot be resolved by mutual agreement, the parties agree to submit such dispute, claim or controversy to a neutral mediator for possible resolution. The parties will jointly agree on a neutral mediator. Each party

shall submit all evidence or information in writing to the mediator in support of its contentions or allegations and any defense either party may have with respect to the dispute, claim or controversy. Each party shall have the right to a hearing before the mediator and to personally present information pertinent to such dispute, claim or controversy. The mediator shall assist each party, in an unbiased manner, in reaching an amicable agreement regarding the dispute, claim or controversy. If an amicable agreement is not reached, or if either party fails or refuses to negotiate or mediate in good faith to resolve the matter, or if a neutral mediator cannot be agreed upon between the parties, then the parties agree to submit such dispute, claim or controversy to an arbitration process as outlined below.

**11.2 Arbitration.** In the event a dispute, claim or controversy of any kind arising out of or relating to this Agreement – except for those disputes, claims or controversies arising under Paragraph 11.3 below – cannot be resolved through mediation as described in Paragraph 11.1 above, the parties agree that said dispute, claim, or controversy will be submitted to and determined by arbitration in Pitt County, North Carolina in accordance with the Federal Arbitration Act. You and we will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in state law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all residents of the Community provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue

affects more than one (1) resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us. This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

**11.3 Voluntary Arbitration of Negligent Health Care Claims.** For all claims for damages in personal injury or wrongful death actions, based on alleged negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C. G.S. §90-21.60(b) prohibits any contract from requiring prior agreement of the parties to arbitrate negligent health care claims. Thus, Paragraphs 11.1 and 11.2 do not apply to personal injury or wrongful death actions based on alleged negligence in the provision of health care. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

[Signature Page Follows]

You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement dated \_\_\_\_\_, 20\_\_\_\_.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

**THE UNITED METHODIST  
RETIREMENT HOMES,  
INCORPORATED  
d/b/a Cypress Glen Retirement  
Community**

\_\_\_\_\_  
RESIDENT

By \_\_\_\_\_  
Executive Director

\_\_\_\_\_  
Witness

Date: \_\_\_\_\_

\_\_\_\_\_  
RESIDENT

By \_\_\_\_\_  
Authorized Agent of UMRH

\_\_\_\_\_  
Witness

Date: \_\_\_\_\_

Attachment: Exhibit A

90 Percent Return of Capital Residency  
Agreement - Cottage or Villa to be  
Constructed (2018-02-05) CLEAN.docx

**Exhibit A**

<b>Options and Custom Features Added at Resident's Request:</b>	<b>Amount</b>
	\$
	\$
	\$
	\$
	\$
	\$
<b>Total</b>	\$

**Initials** \_\_\_\_\_  
**Community**

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

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

WBD(US) 41242208v3

# **ATTACHMENT 6**

## **Communities Managed by Life Care Services LLC**

**SENIOR LIVING COMMUNITIES MANAGED  
BY LIFE CARE SERVICES  
AS OF 12/13/2018**

Alabama, Hoover – Danberry at Inverness  
Arizona, Chandler – Clarendale of Chandler  
Arizona, Peoria – Sierra Winds  
Arizona, Phoenix – Sagewood  
Arizona, Tempe (Phoenix) – Friendship Village of Tempe  
California, Carlsbad – LaCosta Glen and GlenBrook  
California, Cupertino – Forum at Rancho San Antonio, The  
California, Fullerton – Morningside of Fullerton and Park Vista  
California, Pleasanton – Stoneridge Creek Pleasanton and CreekView  
California, San Diego – Casa de las Campanas  
California, San Rafael – Aldersly Garden Retirement Community  
California, Thousand Oaks – University Village at Thousand Oaks and Oak View  
Connecticut, Essex – Essex Meadows  
Connecticut, Mystic – StoneRidge  
Connecticut, Redding – Meadow Ridge  
Connecticut, Southbury – Pomperaug Woods  
Florida, Boca Raton – Toby & Leon Cooperman Sinai Residences of Boca Raton  
Florida, Celebration – Windsor at Celebration  
Florida, Naples – Bayshore Memory Care  
Florida, Naples – The Glenview at Pelican Bay  
Florida, Orlando – Gentry Park  
Florida, Palm City – Sandhill Cove  
Florida, Poinciana – Tuscan Isle  
Florida, Wesley Chapel – Beach House Assisted Living & Memory Care at Wiregrass Ranch  
Georgia, Columbus – Spring Harbor at Green Island  
Georgia, Cumming – Towne Club at Windermere  
Georgia, Evans – Brandon Wilde  
Georgia, Greensboro – Glen at Lake Oconee Village, The  
Georgia, Savannah – Marshes of Skidaway Island, The  
Georgia, Stone Mountain – Park Springs  
Hawaii, Honolulu – Hale Ola Kino  
Illinois, Addison – Clarendale of Addison  
Illinois, Algonquin – Clarendale of Algonquin  
Illinois, Chicago – Clare, The  
Illinois, Godfrey – United Methodist Village  
Illinois, Lincolnshire – Sedgebrook  
Illinois, Lincolnwood – Carrington at Lincolnwood, The  
Illinois, Long Grove – Arboria of Long Grove  
Illinois, Mokena – Clarendale of Mokena  
Illinois, Naperville – Monarch Landing  
Illinois, St. Charles – River Glen of St. Charles  
Illinois, Wheaton – Wyndemere  
Indiana, Bloomington – Gentry Park Bloomington  
Indiana, Carmel – Magnolia Springs at Bridgewater  
Indiana, Greenwood (Indianapolis) – Greenwood Village South  
Indiana, Indianapolis – Magnolia Springs Southpointe  
Indiana, Indianapolis – Marquette  
Indiana, North Manchester – Peabody Retirement Community  
Indiana, Schererville – Clarendale of Schererville

Indiana, Terre Haute – Westminster Village  
Indiana, West Lafayette – Westminster Village West Lafayette  
Iowa, Ames – Green Hills Retirement Community  
Iowa, Cedar Rapids – Cottage Grove Place  
Kansas, Atchison – Dooley Center  
Kansas, Bel Aire – Catholic Care Center  
Kentucky, Florence – Magnolia Springs Florence  
Kentucky, Lexington – Magnolia Springs Lexington  
Kentucky, Louisville – Magnolia Springs East  
Kentucky, Louisville – Magnolia Springs at Whipps Mill  
Maryland, Annapolis – Baywoods of Annapolis  
Maryland, Columbia – Vantage House  
Maryland, Pikesville (Baltimore) – North Oaks  
Maryland, Timonium – Mercy Ridge  
Maryland, Towson (Baltimore) – Blakehurst  
Michigan, Battle Creek – NorthPointe Woods  
Michigan, Dearborn – Henry Ford Village  
Michigan, East Lansing – Burcham Hills  
Michigan, Kalamazoo – Friendship Village  
Michigan, Waterford – Canterbury on-the-Lake  
Minnesota, Plymouth – Trillium Woods  
Minnesota, Vadnais Heights – Gable Pines  
Missouri, Higginsville – John Knox Village East  
Missouri, Kansas City – Kingswood Senior Living Community  
Nebraska, Lincoln – Woodlands at Hillcrest, The  
New Hampshire, Keene – Hillside Village  
New Jersey, Bridgewater – Laurel Circle  
New Jersey, Lakewood – Harrogate  
New York, Patchogue – Village Walk Patchogue  
New York, Purchase – Broadview – Senior Living at Purchase College  
North Carolina, Chapel Hill – Cedars of Chapel Hill, The  
North Carolina, Charlotte – Cypress of Charlotte, The  
North Carolina, Durham – Croasdaile Village  
North Carolina, Greensboro – WhiteStone  
North Carolina, Greenville – Cypress Glen Retirement Community  
North Carolina, Lumberton – Wesley Pines Retirement Community  
North Carolina, Raleigh – Cypress of Raleigh, The  
North Carolina, Wilmington – Plantation Village  
Ohio, Dublin – Friendship Village of Dublin  
Ohio, Elyria – Wesleyan Senior Living  
Ohio, Mason – Magnolia Springs Loveland  
Oklahoma, Bartlesville – Green Country Village  
Oregon, Dallas – Dallas Retirement Village  
Oregon, Salem – Capital Manor  
Pennsylvania, Reading – Heritage of Green Hills  
South Carolina, Greenville – Rolling Green Village  
South Carolina, Hilton Head Island – Bayshore on Hilton Head Island  
South Carolina, Hilton Head Island – Cypress of Hilton Head, The  
South Carolina, Sumter – Covenant Place  
Tennessee, Brentwood – Heritage at Brentwood, The  
Tennessee, Germantown – Gardens of Germantown, The  
Tennessee, Hendersonville – Clarendale at Indian Lakes

Texas, Austin – Westminster  
Texas, Bedford – Parkwood Healthcare  
Texas, Bedford – Parkwood Retirement  
Texas, Dallas – Autumn Leaves  
Texas, Dallas – Monticello West  
Texas, Dallas – Signature Pointe  
Texas, Dallas – Walnut Place  
Texas, Georgetown – Delaney at Georgetown Village, The  
Texas, League City – Delaney at South Shore Harbour, The  
Texas, Lubbock – Carillon Senior LifeCare Community  
Texas, McKinney – Ivy of McKinney, The  
Texas, Richmond – Delaney at Parkway Lakes, The  
Texas, Temple – Meridian of Temple  
Texas, The Woodlands – Village at the Woodlands Waterway, The  
Texas, Victoria – Copperfield Village  
Texas, Victoria – Greatwood Homes of Victoria  
Texas, Waco – Delaney at Lake Waco, The  
Utah, Taylorsville – Summit Vista  
Vermont, White River – Village at White River Junction, The  
Washington, Issaquah – Timber Ridge at Talus  
Wisconsin, Mequon – Newcastle Place  
Wisconsin, Milwaukee – Eastcastle Place



# **ATTACHMENT 7**

## **List of Extra Charges**

**Master Charge List**

Rates in effect October 1, 2018 thru September 30, 2019

<b>Amenities</b>	
Guest Room	\$60.00 per night; Fee charged without 24 hour cancelation notice
Roll-away Bed	\$12.00/night
<b>Beauty Shop Charges</b>	Services rendered by licensed beauticians
Shampoo Only	\$5.50
Shampoo w/style & Blow Dry	\$22.00
Shampoo & Blow Dry ( <b>Men Only</b> )	\$12.00
Medicated Shampoo	\$2.60
Style Only	\$18.00
Cut (women)	\$20.00
Cut (men) Note; Clean Hair Please	\$15.00
Partial Cut	\$10.00
Conditioner	\$2.60 plus other services
Perm	\$64.00
Color rinse	\$3.00 plus set
Color Package	\$68.00 includes cut, blow dry/style & conditioning
Highlight when added as a service with getting color	\$32.00
Heat Cap (conditioner)	\$10.00 plus other services
Simple Up-do	\$25.00 includes shampoo & style –based on hair length and complexity of style.
Up-do	\$35.00
Eyebrow arch	\$7.00
Brow tint	\$10.50
Facial Trim (female)	\$4.50
Neck line trim	\$4.00
Eyebrow waxing	\$10.00
Hair Removal- Lip	\$8.00
Hair Removal- Chin& Neck	\$11.00
Re-comb	\$10.00

<i>Moustache Trim</i>	\$5.50
<i>Beard Trim</i>	\$7.50
<p>Chemical use: The licensed beauticians provide chemicals for these services. They do not guarantee the style or service if you provide your own chemicals. There will be no price reduction for the use of your chemicals. We strongly suggest that you use the chemicals provided by our licensed beauticians. Our beauticians reserve the right to refuse to use your chemicals if they are old or in an unlabeled container. This is for your own safety and well-being.</p>	

<u>Masseuse Charges</u>	Services rendered by a licensed masseuse.
<u>Relaxing Massage</u>	
<b><u>30 minutes</u></b>	\$30.00
<b><u>60 minutes</u></b>	\$50.00
<b><u>90 minutes</u></b>	\$80.00
<b><u>2 hours</u></b>	\$95.00
<u>Deep Tissue Massage</u>	
<b><u>60 minutes</u></b>	\$55.00
<b><u>90 minutes</u></b>	\$100.00
<u>Myokinesthetic Treatments</u>	
<b><u>1<sup>st</sup> Visit</u></b>	\$45.00 includes postural analysis and determination of treatment and application
<b><u>2<sup>nd</sup> – 6<sup>th</sup> Visit</u></b>	\$30.00
<b><u>7<sup>th</sup> visit</u></b>	\$45.00 includes re-evaluation of posture and determination of new treatment schedule as needed.
<b><u>8<sup>th</sup>- 12<sup>th</sup> Visit</u></b>	\$30.00
<u>Manicurist Charges</u>	Services rendered by a licensed manicurist
<b><u>Manicure</u></b>	\$23.00
<b><u>Pedicure</u></b>	\$30.00
<b><u>Acrylic Nail Repairs</u></b>	\$3.50
<b><u>Polish Change</u></b>	\$10.00
<b><u>Acrylic Nails</u></b>	\$45.00
<b><u>Fill In</u></b>	\$30.00
<b><u>Buff &amp; Polish</u></b>	\$18.00
<b><u>Nail Trim and Shape</u></b>	\$13.00
<b><u>Toenail Trim</u></b>	\$18.00
<b><u>Toenail Trim &amp; polish</u></b>	\$26.00
<b><u>Salon Staff House Calls</u></b>	\$7.00 this charge is for IL residents only
Beauticians, Manicurists, and Masseuse may not accept tips.	
<u>Cable Charges</u> <u>Independent &amp; Assisted</u>	Included in daily rate and monthly fees, unless otherwise stated by contract or agreement
<u>Memory Care</u>	No charge

Skilled	No charge
Telephone Charges Initial Setup	\$95.00 per line
Monthly Telephone Charge	\$25.00 per line
Telephone Transfer Charge to higher level of Care	No Charge
Telephone Transfer Charge for convenience move	\$75.00 per move
<b>Voicemail- Message Line</b>	\$21.00 set-up charge/ \$6.95 a month
<b>Caller ID</b>	No Charge
<b>Disconnect</b>	No Charge
<b>Long Distance Charges</b>	Expanded Local Calling for Greenville – Free. Please refer to Information Section in telephone book. State-to-State cost is .027 cents a minute In-state calls are .044 cents a minute.
<b>International Charges</b>	Rates vary; Please contact Business Office for rates.
WIFI- Wireless Secure Connection	\$35.00 per connect
<b>Shred Charge- Front desk staff will weigh your documents using a tray.</b>	\$0.40 per pound  Residents will be billed in one pound increments. Magazines, newspapers or envelopes will not be accepted.
<b>Housekeeping</b>	There is no charge for weekly housekeeping. For additional services, charges are as follows:
Housekeeping service	\$16.00/hour
Carpet Cleaning	\$65.00/room
<b>Deep Cleaning – Annual Clean based on move-in date. (In addition to the one time per year at no charge)</b>	No Charge
Studio- A/B	\$80.00
Single- A/B	\$80.00
Deluxe Studio- A/B	\$80.00
Deluxe Single- A/B	\$80.00
Combination- A/B	\$120.00
Deluxe Suite- A/B	\$120.00
Two Bedroom Suite-A/B	\$150.00
Deluxe Patio Suite	\$150.00
One Bedroom Apt.-D	\$150.00
One Bedroom Deluxe-D	\$150.00
Two Bedroom –D	\$160.00
Two Bedroom Grand-A/B	\$160.00
Two Bedroom Deluxe-D	\$160.00
Three Bedroom-D	\$170.00

Three Bedroom Special-D	\$170.00
Three Bedroom Deluxe-D	\$170.00
One Bedroom Alcove-W	\$150.00
One Bedroom East	\$150.00
One Bedroom Den	\$150.00
Two Bedroom-East/ West	\$160.00
Two Bedroom Bay	\$160.00
Two Bedroom Great room	\$160.00
The Alder	\$200.00
The Birch	\$190.00
The Cypress	\$190.00
The Dogwood	\$180.00
The Elm	\$220.00
The Evergreen	\$240.00

The services listed below are some of the services nursing and independence plus can provide for independent residents.

<b>Independence Plus Services</b>	<b>Personal Service Rates</b>
Service/ hour M-F	\$20.26
Weekends	\$22.48
New Year's, Memorial Day, July 4 <sup>th</sup> , Labor Day, Thanksgiving Day, and Christmas Day	\$27.10
Single non-licensed task by doctor's order. (Service no longer than 15 minutes) Examples: Vital Signs, Height & Weight, Application of TED Hose	\$5.15 per task
Whirlpool Bath (Does not apply to SNF or AL)	\$20.91
Chronic " Episodic" Event Assistance	\$12.78 per visit
Daily Medication Monitoring <b>Based on frequency of visits.</b>	1 time a day- \$65.67 per week 2 times a day- \$71.66 per week 3 times a day- \$77.61 per week 4 times a day- \$83.58 per week
Medication Preparation	\$53.75 /week
Staff Accompaniment to Doctor's Office	\$19.77 per hour
IL Blood draw in Clinic	\$9.88 plus supplies
Il Blood draw on Assisted Living or Skilled Care	\$12.68 plus supplies
IL In Apartment Blood Draw	\$16.47 plus supplies
IL Blood glucose check in Clinic or Assisted Living	\$9.88 plus supplies
Dressing Change (Resident comes to AL, Skilled or Clinic)	\$12.68 plus supply costs
<b>IL In Apartment/Cottage Dressing Change</b>	\$16.47 plus supply costs
Non-Emergency Visits By Nurse	\$16.47 per visit
In room visit for Independent Cath. change	\$19.77 plus supplies
Emergency Transportation of Lab work	\$15.20

<b>Maintenance</b>	
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Relocation Refurbishment Fee Includes Telephone Transfer Fee <b>To a:</b>	
Healthcare Room to another Healthcare Room (Includes Assisted Living, and Memory Care)	\$425.00
Studio- A/B	\$1,555.00
Single – A/B	\$1,855.00
Deluxe Single-A/B	\$2,600.00
Deluxe Studio- A/B	\$2,990.00
Combination- A/B	\$3,045.00
Deluxe Suite- A/B	\$3,640.00
One Bedroom Main- A/B	\$4,005.00
One Bedroom Suite-A/B	\$4,520.00
Two Bedroom Suite-A/B	\$5,460.00
Two Bedroom Deluxe Suite	\$5,460.00
One Bedroom – D	\$4,845.00
One Bedroom Deluxe-D	\$5,370.00
Two Bedroom-D	\$6,995.00
Two Bedroom Grand- A/B	\$7,280.00
Two Bedroom Deluxe-D	\$8,595.00
Three Bedroom-D	\$9,100.00
Three Bedroom Special-D	\$9,460.00
Three Bedroom Deluxe-D	\$9,800.00
One Bedroom Alcove-W	\$4,840.00
One Bedroom East	\$5,235.00
One Bedroom Den	\$6,250.00
Two Bedroom East/West	\$7,085.00
Two Bedroom Bay	\$8,460.00
Two Bedroom Great room	\$9,840.00
The Alder	\$10,920.00
The Birch	\$9,345.00
The Cypress	\$8,515.00
The Dogwood	\$6,985.00
The Elm	\$13,275.00
Evergreen	\$14,625.00
Key Replacement	\$14.00
Key Fob	\$15.00
Pendant Replacement	\$50.00
Maintenance Services One-hour increments only.	\$24.00 per hour plus supplies



Services will be scheduled by the Director of Facility Services	
Pine Straw, Seasonal Flowers, and other plantings	Current Market price plus labor from landscaping maintenance provider
Lawn Care Services	Current Market price plus labor from landscaping maintenance provider
<b>Meals</b>	
Guest Continental Breakfast	\$5.00
<b>Guest Breakfast</b>	\$8.25
Guest Lunch	\$12.00
Guest Dinner	\$12.00
Guest Soup and salad bar are not sold separately;	
Guest Children 7- 12	\$8.50
Guest Children under 6	\$6.00
Guest Children under two	free
Resident meals beyond # provided for in contract	\$7.14 (see “Dining Dollars” information)
Future Residency Agreement meals	\$7.14 for any meal
Dining Dollars Benefit	1 guest meal using “Dining Dollars” one time per month at guest meal price
<b>Delivery</b> (First 3 days per spell of illness)	No charge
Meal Delivery – illness (after 3 days) or convenience	\$2.50 per meal
<b>Transportation</b>	
Local Medical- scheduled	No charge
Personal (M-F 8am-5pm)	\$10.00 per hour (1 hour min.) and \$.50 per mile
Personal (Non-business hours)	\$15.00 per hour and \$.50 per mile

<b>Skilled Nursing Daily Rate</b>	
Private Room	\$308.91
Semi Private Room	\$289.25
<b>Assisted Living Daily Rate</b>	
Private Room	\$256.71
<b>Semi Private Room</b>	\$237.02
<b>Memory Care Cottage Daily Rate</b>	\$269.98
Licensed Bed Respite Rate( Any Level of Care)	\$183.84
<b>Typing Services</b>	\$5.00 per page
<b>Copying Services</b>	\$.06 per page after 20 pages
<b>Space Use</b>	Charges apply to outside groups
Four Seasons Room/Café	\$175.00
Auditorium	\$175.00
Private Dining Room	No charge with \$225.00 food cost
<b>Parlor</b>	\$100.00
Barnes Private Dining Room	\$125.00
Classroom	\$100.00
D - Wing Game Room	\$125.00
Conference Room	\$100.00
Wellness Center Aerobics Room	\$100.00
Computer Connection/Setup	\$25.00
<b>Pet Deposit</b>	\$1,000.00 per pet; see pet policy for details.
<b>Pricing effective: October 1, 2018</b>	

Revised 8/20/18