

## DISCLOSURE STATEMENT

Dated: February 27, 2019

Name of Community: **The Gardens of Taylor Glen Retirement Community,**  
a division of Baptist Retirement Homes of North Carolina,  
Incorporated

Located at: 3700 Taylor Glen Lane  
Concord, North Carolina 28027

Telephone Number: 704.788.6510

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

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

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**DISCLOSURE STATEMENT of**

BAPTIST RETIREMENT HOMES OF NORTH CAROLINA, INCORPORATED

I. **ORGANIZATION INTRODUCTION AND INFORMATION**

- A. The name of this corporation is Baptist Retirement Homes of North Carolina, Incorporated. The business address of the organization is:

1912 Bethabara Road  
P.O. Box 11024  
Winston-Salem, North Carolina 27116-1024

Baptist Retirement Homes of North Carolina, Incorporated is a not-for-profit corporation incorporated under the laws of the State of North Carolina.

- B. Baptist Retirement Homes of North Carolina, Incorporated has a historical relationship with the Baptist State Convention of North Carolina. Baptist Retirement Homes is a separate and distinct corporate entity from the Baptist State Convention of North Carolina. The Baptist State Convention of North Carolina is not responsible for the financial or contractual obligations of the Baptist Retirement Homes of North Carolina, Incorporated. Baptist Retirement Homes of North Carolina, Incorporated is exempt from the payment of federal income tax under Section 501(c) (3) of the Internal Revenue Code.
- C. The names and business addresses of the Trustees and Officers and management staff of the corporation are set forth below. No person has an equitable or beneficial interest in the corporation.

**Terms Expiring 2019**

- |                             |                                                                              |
|-----------------------------|------------------------------------------------------------------------------|
| A. Edward Beddingfield, Jr. | PO Box 485<br>Buies Creek, NC 27506<br>Occupation: Minister                  |
| Jeffrey L. Cobb             | 4400 Six Forks Road<br>Raleigh, NC 28609<br>Occupation: Banker               |
| Lee M. Kirby, Jr.           | 2300 Wells Fargo Capitol Center<br>Raleigh, NC 27601<br>Occupation: Attorney |

Charles D. Mast  
PO Box 119  
Smithfield, NC 27577  
Occupation: Attorney

Mary E. Morgan  
3737 Glenwood Avenue  
Suite 460  
Raleigh, NC 27612  
Occupation: Attorney

**Terms Expiring 2019**

Phillip R. Feagan  
PO Box 309  
Columbus, NC 28722  
Occupation: Attorney

Beth T. Jones  
555 Fayetteville Street, Suite 1100  
Raleigh, NC 27601  
Occupation: Attorney

Clarence R. Lambe, Jr.  
PO Box 1785  
Kernersville, NC 27285  
Occupation: Businessman

Ralph S. Morgan  
127 Club Point Drive  
Cape Carteret, NC 28584  
Occupation: Retired Businessman

John S. Pond, Jr.  
One University Place  
Murfreesboro, NC 27855  
Occupation: Educator

**Terms Expiring 2020**

Nancy E. Fish  
1537 Calvin Edney Road  
Mars Hill, NC 28754  
Occupation: Retired Educator

Jeffrey K. Hobart  
3924 Bentley Bridge Road  
Raleigh, NC 27607  
Occupation: Banker

Anita H. Johnson	360 Valley Brook Ln. Concord, NC 28025 Occupation: Non-Profit Executive
Michael R. Taylor	325 Cape Fear Loop Emerald Isle, NC 28594 Occupation: Retired Educator
Bobby F. Watson	2127 Jack Wilson Road Shelby, NC 28150 Occupation: Retired Businessman

**Terms Expiring 2021**

Perry H. Bailey	100 E. Tryon Rd. Raleigh, NC 27603 Occupation: Banker
Mary Beth Johnston	430 Davis Drive, Ste 400 Research Triangle Park, NC 27560 Occupation: Attorney
Richard P. Murray	546 Trillium Place Drive Kernersville, NC 27284 Occupation: Businessman
Henry M. Skinner, Jr.	2101 Darien Place Wilson, NC 27896 Occupation: Retired Banker

**OFFICERS**

Michael R. Taylor Chair	325 Cape Fear Loop Emerald Isle, NC 28594
Mary Beth Johnston Vice Chair	430 Davis Drive, Ste 400 Research Triangle Park, NC 27560
Henry M. Skinner, Jr. Corporate Secretary	2101 Darien Place Wilson, NC 27896

William B. Stillerman President	1199 Hayes Forest Drive Winston-Salem, NC 27106
Debra A. Meginnis Executive Vice President/ Chief Operating Officer	1199 Hayes Forest Drive Winston-Salem, NC 27106
Jeannine M. Richman Chief Financial Officer	1912 Bethabara Road Winston-Salem, NC 27106

D. The Trustees and Officers of Baptist Retirement Homes of North Carolina, Incorporated have the following experience in the operation and management of the “Homes”:

**TRUSTEES**

Perry H. Bailey began serving as a Trustee in 2018.  
Edward Beddingfield, Jr. has served as a Trustee since 2010.  
Jeffrey L. Cobb has served as a Trustee since 2010.  
Phillip R. Feagan has served as a Trustee since 1990.  
Nancy E. Fish has served as a Trustee since 2017.  
Jeffrey K. Hobart has served as a Trustee since 2007.  
Anita H. Johnson has served as a Trustee since 2017.  
Mary Beth Johnston began serving as a Trustee in 2018.  
Beth T. Jones has served as a Trustee since 1998.  
Lee M. Kirby, Jr. has served as a Trustee since 2010.  
Clarence R. Lambe, Jr. has served as a Trustee since 2006.  
Charles D. Mast has served as a Trustee since 2010.  
Mary E. Morgan has served as a Trustee since 2015.  
Ralph S. Morgan has served as a Trustee since 2000.  
Richard P. Murray has served as a Trustee since 2013.  
John S. Pond, Jr. has served as a Trustee since 2016.  
Henry M. Skinner, Jr. has served as a Trustee since 2009.  
Michael R. Taylor has served as a Trustee since 2007.  
Bobby F. Watson began serving as a Trustee in 2017.

**OFFICERS**

Michael R. Taylor has been a member of the Board of Trustees for 12 years and is serving his first term as Chair of the Board.

Mary Beth Johnston has been a member of the Board of Trustees for 1 year and is serving her first term as Vice Chair of the Board.

Henry M. Skinner, Jr. has been a member of the Board of Trustees for 10 years and is serving his first term as Corporate Secretary.

### MANAGEMENT STAFF

William B. Stillerman has served as President of the Baptist Retirement Homes of North Carolina, Incorporated since November 1, 1985. Prior to assuming this position, he served on the Board of Trustees for nine years, and was the Chair of the Board of Trustees for two years.

Debra A. Meginnis has been employed by the Baptist Retirement Homes since September 1995 and has served as Executive Vice President for 10 years. Prior to employment with Baptist Retirement Homes, she worked in administration and marketing for a long-term care organization. Mrs. Meginnis is a registered nurse and licensed adult care home administrator.

Jeannine M. Richman has been employed as the Chief Financial Officer of the Baptist Retirement Homes since August 2018. Prior to employment with Baptist Retirement Homes, she served in Financial leadership roles in the long term care industry for 29 years. Ms. Richman's credentials include a CPA and MBA.

Unless otherwise set forth above, the Trustees, Officers, and Management Staff of the "Homes" are not known to have other business experience in the operation or management of similar facilities.

Perry H. Bailey, Customer Solutions Advisor of First Citizens Bank, Jeffrey L. Cobb, Senior Vice President of First Citizens Bank and Jeffrey K. Hobart, First Vice President/Investment Officer of Wells Fargo Advisors, LLC are employed by financial institutions with which Baptist Retirement Homes transacts business. (The "banks" provide commercial banking and investment services to the organization). The three Trustees mentioned above are not involved in the provision of those services to the Baptist Retirement Homes organization. Due to the changing nature of the services provided by those institutions, it is not possible to estimate how much those services cost the organization on an annual basis. Phillip R. Feagan is the owner of the Feagan Law Firm, PLLC – a law firm with which Baptist Retirement Homes of North Carolina, Incorporated (BRH) does business. In a normal year, estimated payments to the firm total approximately \$1,000. Mary Beth Johnston is a Partner with the K&L Gates LLP Law Firm, a firm which BRH also does business. On average, estimated payments to the firm are \$20,000 a year. Beth T. Jones is a Partner with the Womble Bond Dickinson Law Firm – a law firm with which BRH does business. In a typical year, estimated payments to the firm total approximately \$15,000. Lee M. Kirby is a Partner with the Smith Anderson Law Firm...a law firm with which BRH also does business. On average, estimated payments to the firm total approximately \$20,000 a year. None of the other individuals named as

Trustees, Officers, or Management Staff above are currently providing nor in the foreseeable future shall provide goods, leases, or services to the organization, or the residents of the organization, of an aggregate value of five hundred dollars (\$500) or more except for services rendered in their respective capacity as a Trustee or Officer or Management Staff member of the corporation. None of the Trustees, Officers, or Management Staff named above has ownership in any professional service, association, trust, partnership, or corporation in which this person has, or which has in this person, a ten percent (10%) or greater interest and which it is presently intended shall currently or in the future provide goods, leases, or services to the facility, of an aggregate value of five hundred dollars (\$500) or more within any year, including a description of the goods, leases, or services and the probable or anticipated cost thereof to the facility, provider, or residents or a statement that the cost cannot presently be estimated.

None of the individuals named as Trustees, Officers, or Management Staff above has been convicted of a felony or pleaded nolo contendere to a felony charge, nor been held liable or enjoined in a civil action by final judgment which involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; or 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 related to the business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for the aged, or facility.

- E. Baptist Retirement Homes of North Carolina, Incorporated presently operates the following existing facilities:

**Brookridge Retirement Community, Winston-Salem, North Carolina**

Total Occupancy as of September 30, 2018 – 72%

Brookridge Retirement Community (Brookridge Health Care Center)

77-bed nursing care center

Occupancy as of September 30, 2018 – 78%

Brookridge Retirement Community (Adult Care Home Residence)

26 adult care home residences

10 memory-enhanced residences

Occupancy as of September 30, 2018 – 89%

Brookridge Retirement Community (Independent Living Apartments)

137 independent living apartments

Occupancy as of September 30, 2018 – 64%

CCRC Resident Contracts – 179

-Covering 153 Single Residents and 26 Double Occupancies for a total of 205 Residents



**The Gardens of Taylor Glen Retirement Community, Concord, North Carolina**  
Total Occupancy as of September 30, 2018 – 74%

The Gardens of Taylor Glen Retirement Community (Gardens of Taylor Glen Health Care Center)

24-bed nursing care center

Occupancy as of September 30, 2018 – 67%

The Gardens of Taylor Glen Retirement Community (Adult Care Home Residences)

12 adult care home residences / 12 memory-enhanced residences

Occupancy as of September 30, 2018 – 96%

The Gardens of Taylor Glen Retirement Community (Independent Living Apartments)

125 independent living apartments

Occupancy as of September 30, 2018 – 75%

CCRC Resident Contracts – 128

-Covering 108 Single Residents and 20 Double Occupancies for a total of 148 Residents

**The Taylor House, Albemarle, North Carolina**

30 adult care home residences

Occupancy as of September 30, 2018 – 57%

**Western North Carolina Baptist Home, Asheville, North Carolina**

Total Occupancy as of September 30, 2018 – 56%

Western North Carolina Baptist Home (Western North Carolina Baptist Home Health Care Center)

100-bed nursing care center

Occupancy as of September 30, 2018 – 53%

Western North Carolina Baptist Home (Adult Care Home Residences)

42 adult care home residences

8 memory-enhanced residences

Occupancy as of September 30, 2018 – 62%

**II. FACILITY INTRODUCTION AND INFORMATION**

The Brookridge Retirement Community is a continuing care retirement community located on a 44-acre tract of land on Bethabara Road in northwest Winston-Salem. It consists of 137 independent living apartments (46 detached residences, 91 congregate residences) and 113 health care beds (26 adult care residences, 10 memory-enhanced residences, and 77 intermediate and skilled nursing care beds). It also contains the following support facilities: administrative offices, a bank, a chapel, a multi-purpose

room, arts and crafts rooms, a library, a guestroom, physical therapy rooms, recreation areas, a swimming pool and exercise area, dining rooms, a café, beauty/barber shops, a convenience store, a mail area, parlors, a kitchen, and service areas for environmental services, maintenance and laundry. Construction began in October 1987, and the project was completed in the summer of 1989. In 1997, construction began on five two-bedroom deluxe apartments, and this project was completed in the summer of 1998. Construction was completed in September 1999 on an indoor swimming pool and exercise area. A special residence for Older Adults with dementia was opened in October 2001. A café dining option was opened for operation in September 2006 for independent living residents. In 2010, the Prince Center main entry area was renovated. In 2014, major renovation of the Brookridge Community was completed.

The Gardens of Taylor Glen Retirement Community is a continuing care retirement community that is located on a 124 plus-acre tract of land located in southwest Concord. It includes 125 independent living apartments, 12 adult care home residences, 12 memory-enhanced residences, and 24 nursing care beds. It also incorporates administrative offices, a bank, a chapel, a multi-purpose room, a swimming pool, an exercise area, arts and crafts rooms, a wood-working shop, a library, a guest cottage, physical therapy rooms, recreation/social areas to include a lake and walking paths, dining areas, beauty/barber shops, a mail area, a convenience store, parlors, a café, a kitchen, a training area for health care employees, and several areas for environmental services, maintenance, and laundry. Construction began in September 2001, and the Community was opened for residency in November 2002.

The Taylor House is a 30-bed Adult Care Home Residence located on a 3-acre tract of land on Palmer Street in Albemarle, North Carolina. It was opened for service to its first resident in 1953.

The Western North Carolina Baptist Home is a combination facility with 42 adult care home residences, 8 memory-enhanced residences, and 100 nursing care beds located on a 22-acre tract of land on Richmond Hill in Asheville. It was opened for service to its first resident in April 1979. A 100-bed Medicare/Medicaid certified nursing care center opened in February 1993. A special residence for Older Adults with dementia was opened in August 2003. The Assisted Living area of the Community was renovated in 2012. A major renovation of the Western North Carolina Baptist Home Health Care Center began in May 2015 (45 nursing care beds were out of service during the renovation) and was completed in July 2016.

Care provided at The Taylor House Community is currently confined to the custodial level of care (Adult Care Home). Care provided at the Western North Carolina Community is confined to the custodial level of care (Adult Care Home) and nursing care. No Continuing Care Agreements involving independent living residences are currently provided for residents at these Communities. Continuing care contracts, involving independent living, are provided only for those residents entering independent

living apartments at the Brookridge Retirement Community and The Gardens of Taylor Glen Retirement Community. The contracts for independent living apartments and adult care home and nursing care beds at the Gardens of Taylor Glen Retirement Community are attached as Attachments IV through VI.

The Brookridge Retirement Community offers continuing care contracts for Older Adults living in independent living apartments, adult care home residences, and nursing care rooms. In addition to Brookridge, Baptist Retirement Homes owns and operates The Gardens of Taylor Glen Retirement Community in Concord, which is the only other Community in its system that offers continuing care contracts. Both Communities are operational divisions of the Baptist Retirement Homes of North Carolina, Incorporated, not separate legal entities and, therefore, have no officers or Trustees of their own. Of the four Communities owned and operated by Baptist Retirement Homes of North Carolina, Incorporated, only the Winston-Salem and Concord Communities, known as the Brookridge Retirement Community and The Gardens of Taylor Glen Retirement Community, offer continuing care contracts. The Brookridge Retirement Community and The Gardens of Taylor Glen Retirement Community are owned and operated by the Baptist Retirement Homes of North Carolina, Incorporated.

Sections III through X of this Disclosure Statement deal only with the independent living apartments and the adult care home residences at The Gardens of Taylor Glen Retirement Community.

### III. **POLICIES – ADMISSION**

#### A. **Independent Living**

1. In order for an individual to be accepted as a RESIDENT of The Gardens of Taylor Glen, the individual must be a minimum of sixty-two (62) years of age and in reasonable health sufficient to be capable of maintaining an independent living arrangement as determined by Baptist Retirement Homes. After the acceptance of a RESIDENT, but prior to occupancy, if Baptist Retirement Homes should determine that the RESIDENT has become incapable of independent living, the Agreement shall be canceled. After occupancy, the RESIDENT'S right to occupy an independent living residence shall terminate upon Baptist Retirement Homes' determination that the RESIDENT is no longer capable of independent living. When it is determined by the Baptist Retirement Homes organization that a RESIDENT can no longer live safely in an independent living environment and his/her right to occupy an independent living apartment has been terminated, he/she can elect to leave the community and if his/her occupancy has lasted for less than sixty (60) months, receive a partial refund of the "fee" paid by him/her to the organization at the time of admission. The

RESIDENT can also, if he/she elects this option, enter the organization's health care center at the health care center's current rates if the Baptist Retirement Homes organization concludes that the health care center can provide the level of services the RESIDENT'S condition requires. If the RESIDENT elects the above mentioned option, he/she will not be required to pay an entrance fee for admission to the health care center nor will he/she receive a partial refund of the "fee" paid to the organization at the time of admission.

2. In general, the individual must pay the admission fees and be capable of paying the reasonable periodic fees as determined by Baptist Retirement Homes in order to be accepted as a RESIDENT. The RESIDENT agrees to prudently conserve and maintain current and future income and assets in order to provide for payment of services to be provided by Baptist Retirement Homes under this Agreement or otherwise. Upon verification satisfactory to Baptist Retirement Homes that RESIDENT has complied with this obligation and that RESIDENT'S income and assets are insufficient to pay for services required, Baptist Retirement Homes will endeavor to provide assistance to RESIDENT by prudent use of finite funds available to it for such purposes. Baptist Retirement Homes has no legal obligation to provide such assistance and is unable to represent or guarantee with certainty that such assistance will be available to RESIDENT. In any event, such assistance as may be available will be provided only after RESIDENT has applied for and taken all necessary steps to qualify for any public benefit program, or private funds or programs through which benefits may be available for payment of services required by RESIDENT.

Baptist Retirement Homes offered two options for Entrance Fee payments to the first eighty-eight (88) residents who made ten-percent (10%) deposits. The RESIDENT could choose between a Traditional Payment Program and the Legacy Asset Management Program. The Traditional Program provides for a sixty (60)-month amortization of the RESIDENT'S Entrance Fee (after sixty (60) months, there is no remaining equity). The Legacy Asset Management Program provides for a ninety-percent (90%) refund of the Entrance Fee paid at admission. This ninety-percent (90%) refund program was offered to the first eighty-eight (88) residents at The Gardens of Taylor Glen at a cost of 1.5 times the Traditional Program Entrance Fee. After the first eighty-eight (88) residents were accepted, the ninety-percent (90%) refund program was no longer offered.

Baptist Retirement Homes may in its sole discretion offer up to five (5) RESIDENTS per year, with a maximum cap of twenty-five (25), an option to

pay only twenty-five (25%) of the required Entrance Fee at least 30 days prior to occupancy and execute a Promissory Note stating that the RESIDENT will pay the remaining seventy-five percent (75%) of the Entrance Fee upon the earlier of the sale or transfer of title to the Resident's property or two (2) years. RESIDENTS participating in this Deferred Entrance Fee Plan will also be required to execute a Deed of Trust securing the Promissory Note. The Deferred Entrance Fee Plan provides for a sixty (60)-month amortization of the amount of the Entrance Fee RESIDENT has actually paid (after sixty (60) months, there is no remaining equity).

3. If a RESIDENT marries while at the Community, the RESIDENT must have the advance written permission of Baptist Retirement Homes for the non-resident spouse to live in an apartment unit with the RESIDENT. Such permission is conditioned upon the non-resident spouse's ability and willingness to pay the difference between the "single" and "two person" monthly fee. The non-resident spouse must also agree to prudently conserve and maintain his/her current and future financial assets in order to provide for payment of services to be provided by the Baptist Retirement Homes organization. The non-resident spouse must also be willing to submit medical information demonstrating his/her ability to live independently as determined by the Baptist Retirement Homes organization. Lastly, admission of a non-resident spouse is conditioned on the execution of a new Apartment Residency Agreement. Until such an Agreement is reached, the new spouse has no rights or privileges under the existing "Agreement" with the RESIDENT and cannot reside in his/her apartment. If a RESIDENT of the Baptist Retirement Homes marries a Baptist Retirement Homes RESIDENT (with the permission of the Baptist Retirement Homes organization), only one of the apartments used by the new couple can be occupied and the other must be relinquished. If the RESIDENT relinquishing his/her apartment has lived in that unit less than sixty months, the Baptist Retirement Homes will refund to the RESIDENT an amount equal to the amortized remaining value of the entrance fee paid by the RESIDENT. The refund will be made upon re-occupancy of the unit and receipt and unrestricted use of the entrance fee from the successor resident. The new couple will be expected to pay the "double" monthly rate.
4. The RESIDENT must agree to prudently conserve and maintain current and future income and assets in order to provide for the payment of services. Upon verification that the RESIDENT has complied with this obligation and that the RESIDENT'S income and assets are insufficient to pay for the services required, Baptist Retirement Homes will endeavor to provide financial assistance to the RESIDENT pursuant to the Apartment Residence Agreement. Baptist Retirement Homes has no legal obligation to provide

such assistance and does not represent or guarantee that such assistance will be provided to a RESIDENT.

5. The following three (3) paragraphs provide a description of the refund provisions for rescinded or cancelled contracts:

The RESIDENT may cancel the Apartment Residency Agreement within thirty (30) days following the later of the execution of the contract or the receipt of a disclosure statement by giving written notice to Baptist Retirement Homes, and the RESIDENT is not required to move into the facility during the above mentioned thirty (30) day automatic Rescission period. Under such circumstances, the RESIDENT would receive a full refund of any entrance fees paid. The RESIDENT will receive the "refund" within sixty (60) days following the receipt of the written notice. After the initial 30-day period following the payment of the full entrance fee but prior to occupancy, the RESIDENT may cancel the Agreement by giving ten (10) days written notice to the Homes and receive a refund of the entrance fees paid less \$5,000.00. The refund will be paid within sixty (60) days following receipt of the written notice. If a resident dies before occupying a living unit in the facility, or if, on account of illness, injury, or incapacity, a resident would be precluded from occupying a living unit in the facility under the terms of the contract for continuing care, the contract is automatically cancelled. As noted above, should a RESIDENT die after the initial period of thirty (30) days but prior to move-in, he/she will be entitled to a full refund of the entrance fee paid. During the first sixty (60) months of occupancy, the RESIDENT may cancel the Agreement by giving thirty (30) days written notice to the Homes. The Baptist Retirement Homes will refund to the RESIDENT all amounts paid to the organization as an entrance fee less an amount equal to the amortized remaining value of the entrance fee based on a sixty (60) month term; provided, however, that a RESIDENT participating in the Deferred Entrance Fee Plan will only be entitled to a refund equal to the amortized remaining value of the portion of the entrance fee actually paid based on a sixty (60) month term starting with the date of occupancy. The RESIDENT will receive his/her entrance fee "refund" when RESIDENT'S apartment home has been occupied by another RESIDENT or within two (2) years of his/her termination of the Apartment Resident Agreement, whichever event occurs sooner. If the RESIDENT who purchased the Traditional Payment Plan or participated in the Deferred Entrance Fee Plan cancels the Agreement after sixty (60) months of occupancy, there shall be no refund of the entrance fee. The RESIDENT who purchased the Legacy Asset Management Program has a ninety percent (90%) refund option for life. Baptist Retirement Homes may cancel the Residency Agreement prior to or following occupancy by the RESIDENT, upon determining that the

RESIDENT has either become incapable of independent living or has failed to comply with the obligations assumed pursuant to the Agreement. In the event of such cancellation, the RESIDENT shall receive a full refund if cancellation occurs prior to occupancy; a partial refund if cancellation occurs during the first sixty (60) months of occupancy; and, no refund if cancellation occurs thereafter.

If RESIDENT voluntarily terminates this Agreement after construction of The Gardens of Taylor Glen has begun, the applicable refund will be made at the earlier of two (2) years after provider is notified of termination or such time as Provider has obtained an executed Residency Agreement for the Apartment and has received full payment and unrestricted use of the Entrance Fee for the Apartment. Provider shall make reasonable efforts to secure a RESIDENT for the Apartment as is feasible.

If a RESIDENT who has purchased the Traditional Payment Plan dies within sixty (60) months of occupancy, a refund of the unamortized entrance fee will be made to the estate of the RESIDENT. The estate of a RESIDENT who participated in the Deferred Entrance Fee Plan will only be entitled to a refund equal to the amortized remaining value of the portion of the entrance fee actually paid based on a sixty (60) month term starting with the date of occupancy. The refund will be issued when the residence has been re-leased or two (2) years whichever is sooner. No refund is made if death occurs after the first sixty-(60) months of occupancy. If a RESIDENT who has purchased the Legacy Asset Management Program dies, a refund of ninety percent (90%) of the Entrance Fee will be paid to his/her estate when the residence has been re-leased or two (2) years, whichever comes sooner.

A RESIDENT'S contract with Baptist Retirement Homes of North Carolina, Incorporated can be terminated if the RESIDENT being provided service requires a higher level of care than can be provided in the RESIDENT'S current setting. In such a case, every effort would be made to place the RESIDENT at an appropriate level of care within the Baptist Retirement Homes' system. If a contract is terminated by Baptist Retirement Homes, a refund of the unamortized entrance fee will be made to the RESIDENT as soon as the RESIDENT'S residence has been re-leased or two (2) years whichever is sooner.

6. If RESIDENT is away from The Gardens of Taylor Glen Retirement Community for thirty (30) consecutive days, he/she will receive a credit equal to the price for thirty (30) meals for each person on the monthly statement following the thirty (30)-day period. If for any reason, RESIDENT

returns to The Gardens of Taylor Glen Retirement Community for an overnight stay, he/she will be ineligible to take advantage of the away rate. The away rate can be taken for a maximum of three (3) months.

7. Upon cancellation of the Agreement by the RESIDENT or the Homes, the independent living apartment of the prior RESIDENT may be made available to a different or new resident by the Homes if the rights of all residents residing in the independent living apartment have been terminated.

**B. Adult Care Home**

1. In order for an individual to be accepted as a RESIDENT, the individual must be a minimum of sixty-two (62) years of age and in the mental and physical condition to be able to adequately function at the Adult Care Home level of care, which is determined by the Homes' Admissions Committee. After the acceptance of a RESIDENT, if Baptist Retirement Homes should determine that the RESIDENT has become incapable of functioning at an Adult Care Home level of care, the Agreement shall be canceled pursuant to Sections 16 and 17 of the Residency Agreement.
2. Also, in general, the individual must be capable of paying the reasonable periodic fees as determined by Baptist Retirement Homes in order to be accepted as a RESIDENT. The RESIDENT agrees to prudently conserve and maintain current and future income and assets in order to provide for payment of services to be provided by the Homes under this Agreement or otherwise. Upon verification satisfactory to the Homes that the RESIDENT has complied with this obligation, and that the RESIDENT'S income and assets are insufficient to pay for services required, the Homes will endeavor to provide financial assistance to the RESIDENT, by prudent use of finite funds available to it for such purposes. The Homes has no legal obligation to provide such assistance, and is unable to represent or guarantee with certainty that such assistance will be available to the RESIDENT. In any event, such assistance as may be available will be provided only after the RESIDENT has applied for and taken all necessary steps to qualify for any available public benefit program, or private funds or programs through which benefits may be available for payment of services required by the RESIDENT.
3. If a RESIDENT marries while at the facility, the RESIDENT must have the advanced written permission of Baptist Retirement Homes for the new spouse to live with the RESIDENT. Such permission is conditioned upon negotiation and execution of a new written Residency Agreement and shall be subject to the appropriate fees. Until such an Agreement is reached, the



new spouse has no rights or privileges under the existing Agreement with the RESIDENT.

4. The RESIDENT must agree to prudently conserve and maintain current and future income and assets in order to provide for the payment of services. Upon verification that the RESIDENT has complied with this obligation and that the RESIDENT'S income and assets are insufficient to pay for the services required, Baptist Retirement Homes will endeavor to provide financial assistance to the RESIDENT pursuant to the Residency Agreement. Baptist Retirement Homes has no legal obligation to provide such assistance and does not represent or guarantee that such assistance will be provided to a RESIDENT.
5. The RESIDENT may cancel the Residency Agreement within thirty (30) days of execution and prior to occupancy by giving written notice to Baptist Retirement Homes and receive a full refund of any admission fees paid within thirty (30) days of termination. After the initial thirty (30) day period but prior to occupancy, the RESIDENT may cancel the Agreement by giving thirty (30) days written notice to the Homes and receive all amounts paid on behalf of the RESIDENT less five thousand dollars (\$5,000.00) paid within thirty (30) days of termination. If RESIDENT dies before occupying the Room, the agreement is automatically cancelled, and Baptist Retirement Homes will refund all amounts paid on behalf of the RESIDENT within thirty (30) days of termination.

Baptist Retirement Homes may cancel the Residency Agreement prior to or following occupancy by the RESIDENT, upon determining that the RESIDENT has either become incapable of living at the Adult Care Home level of care or has failed to comply with the obligations assumed pursuant to the Agreement.

A RESIDENT'S contract with Baptist Retirement Homes of North Carolina, Incorporated can be terminated if the RESIDENT being provided services requires a higher level of care than can be provided in the RESIDENT'S current setting. In such a case, every effort would be made to place the RESIDENT at an appropriate level of care within the Baptist Retirement Homes' system.

6. Upon cancellation of the Agreement by the RESIDENT or the Homes, the Adult Care Home room of the prior RESIDENT may be made available to a different or new resident by the Homes if the rights of the RESIDENT residing the Adult Care Home room have been terminated.

#### IV. SERVICES

##### A. **Independent Living**

The Homes provides the “continuing care” services outlined below in the Independent Living Apartments at The Gardens of Taylor Glen Retirement Community. All parties who wish to reside in the Independent Living Apartments at The Gardens of Taylor Glen Retirement Community shall do so by entering into a contract entitled “Resident Agreement”. A current copy of this Agreement is enclosed with this Disclosure Statement. This Agreement is the sole contract between Baptist Retirement Homes of North Carolina, Incorporated and the RESIDENT. RESIDENTS participating in the Deferred Entrance Fee Plan will also be required to sign an amendment modifying the Resident Agreement to incorporate the terms and conditions that apply to the Deferred Entrance Fee Plan, along with a Promissory Note and Deed of Trust. If more than one person enters into the Agreement, the word “RESIDENT” as used herein and as used in the Agreement shall include both residents unless otherwise stated. This Disclosure Statement constitutes Exhibit B to the Agreement and is incorporated therein by reference. Baptist Retirement Homes of North Carolina, Incorporated provides the following “continuing care” services at The Gardens of Taylor Glen Retirement Community pursuant to the Residency Agreement based upon the admission fee and the monthly service fee specified therein:

1. UTILITIES: Including heat, electricity, air conditioning, telephone and television outlets, water and sewer services, and trash disposal.
2. FURNISHINGS: Independent Living Apartments located in the Main Building are furnished with carpeting, window covering, electric range with hood, frost-free refrigerator, dishwasher, disposal, microwave, and washer/dryer units.
3. INSURANCE: Baptist Retirement Homes provides fire and casualty insurance. The insurance provided by Baptist Retirement Homes does not cover personal contents of the Apartments.
4. MEAL SERVICE: Baptist Retirement Homes provides, at no additional charge to RESIDENT, thirty (30) meals a month to be served in its dining room.
5. HEALTH SERVICE: If required by RESIDENT’S health status, Baptist Retirement Homes will provide without additional charge a cumulative total of thirty (30) days care in its Health Care Center while the Residency

Agreement is in force (Not applicable if RESIDENT is receiving Medicare Benefits). Such care, as appropriate, will be at either the adult care home level, or at the nursing care level. If for any reason such care is temporarily unavailable when required by the RESIDENT, it will be provided at the expense of Baptist Retirement Homes at other comparable facilities. During provision of such care, the RESIDENT will be charged for medicines, physician's services, and for supplies not normally included in the base fee for such services. The RESIDENT will pay for residential health care services in excess of the thirty (30)-day cumulative total provided by this Agreement at the rate established for such care by Baptist Retirement Homes at the time such care is required. All other medical care, services and supplies provided to the RESIDENT by Baptist Retirement Homes or others, will be at the RESIDENT'S expense.

6. MAINTENANCE of all common areas and grounds, and furnishings and equipment owned by Baptist Retirement Homes.
7. PARKING: More than adequate parking is available to residents in parking areas adjacent to all of the apartment buildings located on the Gardens of Taylor Glen campus. Every resident is guaranteed a parking place for his/her vehicle, and no fee is charged to the resident for that service. In addition to the above, there are six (6) covered parking places adjacent to each of the three (3) apartment buildings and one detached unit of six (6) covered parking spaces that can be rented on a monthly basis by members of the resident community.
8. RECREATIONAL, SOCIAL, AND RELIGIOUS ACTIVITIES and other life enrichment programs are provided. Space and equipment to facilitate various hobbies and crafts are furnished.
9. HOUSEKEEPING: Independent Living Apartments are provided weekly housekeeping (general vacuuming, dusting, and cleaning of bath) and weekly changes of white sheets and pillowcases.
10. SCHEDULED TRANSPORTATION: Baptist Retirement Homes provides scheduled transportation to local shopping areas, churches, and social activities.
11. STAFF: Baptist Retirement Homes has staff on duty at all times to be responsive to the needs of the RESIDENTS and to assist in case of emergencies.

Baptist Retirement Homes makes available to the RESIDENT on an optional basis, upon payment of additional fees as may be established:

1. One or two additional meals per day in one of the Community's dining areas;
2. In case of temporary illness, tray service of meals in the RESIDENT'S apartment;
3. Additional housekeeping services as required;
4. Transportation to extra-curricular events and locations;
5. Beauty and barber services; and
6. Transportation to medical appointments.

**B. Adult Care Home**

Baptist Retirement Homes of North Carolina, Incorporated provides the following "continuing care" services at the Adult Care Home level of care at The Gardens of Taylor Glen Retirement Community, pursuant to the Residency Agreement based upon the admission fee and monthly service fee specified therein:

1. UTILITIES: Including heat, electricity, air conditioning, telephone outlets and television outlets, water and sewer services, and trash disposal.
2. FURNISHINGS: Each Adult Care Home room at The Gardens of Taylor Glen Retirement Community will be furnished with carpeting and window covering, refrigerator, and microwave.
3. INSURANCE: Baptist Retirement Homes carries fire and casualty insurance. The insurance provided by Baptist Retirement Homes does not cover personal contents of the apartment.
4. MEAL SERVICE: Baptist Retirement Homes provides, at no additional charge to the RESIDENT, three meals each day served in its dining room.
5. MEDICATION MONITORING: Certified staff will monitor and/or administer medications to the RESIDENT.
6. MAINTENANCE of all common areas and grounds, and furnishings and equipment owned by Baptist Retirement Homes.

7. PARKING: More than adequate parking is provided for Adult Care Home residents and their families in parking areas adjacent to the Health Care Center located on the Gardens of Taylor Glen campus. Adult Care Home residents who own vehicles are provided parking spaces for their automobiles at no charge to the residents.
8. RECREATIONAL, SOCIAL, AND RELIGIOUS ACTIVITIES and other life enrichment programs are provided. Space and equipment to facilitate various hobbies and crafts are furnished.
9. HOUSEKEEPING: Residents of the Adult Care Home area receive daily housekeeping services (general vacuuming, dusting, and cleaning of bath) and changes of white sheets and pillowcases as needed.
10. LAUNDRY: Baptist Retirement Homes provides personal laundry services for each RESIDENT.
11. SCHEDULED TRANSPORTATION: Baptist Retirement Homes provides scheduled transportation to local shopping areas, churches, social activities, and routine medical appointments.
12. STAFF: Baptist Retirement Homes has staff on duty at all times to be responsive to the needs of the RESIDENTS and to assist in case of emergencies.

Baptist Retirement Homes will make available to the RESIDENT on an optional basis, upon payment of additional fees as may be established:

1. Medical supplies and equipment related to hospitalization, prescription medicines, medical supplies, physician services, dental and optical care;
2. Physical, Speech, and Occupational therapy;
3. Clothing;
4. Personal Care items;
5. Beauty and Barber Services.

V. **FEES**

A. **Independent Living**

1. A description of all current fees required of residents of The Gardens of Taylor Glen Retirement Community including admission fees and periodic charges is set forth as follows.

**The Gardens of Taylor Glen Retirement Community**

**Schedule of Entrance Fees**

	Traditional and Deferred Entrance Fee Plans
One-bedroom apartment home (Rose)	\$ 44,000
One-bedroom deluxe (Gardenia)	\$ 79,000
Two-bedroom apartment home (Azalea)	\$109,595
Two-bedroom deluxe apartment home (Camellia)	\$140,072
Two-bedroom classic apartment home (Magnolia)	\$169,901
Assisted Living direct admit entrance fee	\$ 30,000
Memory Enhanced direct admit entrance fee	\$ 38,000

**Schedule of Monthly Fees**

One-bedroom apartment (Rose) - single	\$1,954.94
One-bedroom deluxe apartment (Gardenia) single	\$2,259.04
One-bedroom deluxe apartment (Gardenia) two person	\$3,001.53
Two-bedroom apartment (Azalea) – single	\$3,272.92
Two-bedroom apartment (Azalea) – two person	\$4,015.41
Two-bedroom deluxe apartment (Camellia) single	\$3,617.44
Two-bedroom deluxe apartment (Camellia) two person	\$4,359.93
Two-bedroom classic apartment (Magnolia) single	\$3,773.30
Two-bedroom classic apartment (Magnolia) two person	\$4,515.79
Assisted Living	\$4,774.13
Memory-Enhanced Residence	\$6,147.14
Nursing Care	\$ 271.68/day

**Fees for Additional Services Available to Independent Residents**

Transportation to Medical Appointments	\$30.00/trip
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The monthly service fee may be adjusted from time to time by Baptist Retirement Homes by giving sixty (60) days written notice of any increase or decrease to the RESIDENT in accordance with Section 2 of the Residency Agreement. The frequency and dollar amount of each average increase during the past five years at The Gardens of Taylor Glen Community, as it relates to independent living apartments is as follows:

<u>DATE</u>	<u>AVERAGE AMOUNT OF INCREASE</u>	<u>FREQUENCY</u>
10/1/14	\$ 22.28 (varies by type of residence)	1 time per year
10/1/15	\$ 77.07 (varies by type of residence)	1 time per year
10/1/16	\$ (22.30) (varies by type of residence)	1 time per year
10/1/17	\$ 47.62 (varies by type of residence)	1 time per year
10/1/18	\$ 83.39 (varies by type of residence)	1 time per year

**B. Adult Care Home**

1. A description of all current fees required of residents, including admission fees, entrance fees and periodic changes, is set forth in the fee schedule in the above noted paragraph.
2. The monthly service fee may be adjusted from time to time by Baptist Retirement Homes upon giving sixty (60) days written notice of any increase or decrease to the RESIDENT in accordance with Section 2 of the Residency Agreement.

The frequency and dollar amounts of each average increase at the Gardens of Taylor Glen Retirement Community, during the past five years is as follows:

<u>DATE</u>	<u>AVERAGE AMOUNT OF INCREASE</u>	<u>FREQUENCY</u>
10/1/14	\$139.80	1 time per year
10/1/15	\$100.89	1 time per year
10/1/16	\$ 77.19	1 time per year
10/1/17	\$104.46	1 time per year
10/1/18	\$133.19	1 time per year

**C. Skilled Nursing**

1. A description of all current fees required of residents, including admission fees and periodic changes, is set forth in the fee schedule on the preceding page.
2. The monthly service fee may be adjusted from time to time by Baptist Retirement Homes.

The frequency and dollar amounts of each average increase at the Gardens of Taylor Glen Retirement Community, during the past five years is as follows:

<u>DATE</u>	<u>AVERAGE AMOUNT OF INCREASE</u>	<u>FREQUENCY</u>
10/1/14	Daily Rate \$ 6.94	1 time per year
10/1/15	Daily Rate \$ 5.63	1 time per year
10/1/16	Daily Rate \$ 3.84	1 time per year
10/1/17	Daily Rate \$ 5.20	1 time per year
10/1/18	Daily Rate \$ 6.63	1 time per year

**VI. FINANCIAL INFORMATION**

Unless otherwise indicated all financial data is derived from the consolidated financial statements of the Baptist Retirement Homes of North Carolina, Incorporated.

- A. Since 2002, the Baptist Retirement Homes of North Carolina, Incorporated has invested approximately \$9.9 million in addition to resident entrance fees in funding The Gardens of Taylor Glen Retirement Community. In the future if unforeseen financial need is ever experienced in connection with the operation of The Gardens of Taylor Glen Retirement Community, Baptist Retirement Homes will, in the same manner utilize any funds that may be available to it from gifts or contributions to enable it to perform its obligations fully under contracts to provide continuing care at the Community.
  
- B. Baptist Retirement Homes of North Carolina, Incorporated operates on a fiscal year of October 1 through September 30. From 1986 to 1990, D.E. Gatewood and Company, Certified Public Accountants, audited the financial records of the organization. From 1991 to 1993, Coopers and Lybrand, Certified Public Accountants audited the financial statements of the organization. From 1994 through 2000, Ernst and Young, LLP audited the financial statements of the organization. From 2001 to 2006, the financial statements of the organization were audited by McGladrey & Pullen, LLP. From 2007 to 2009, LarsonAllen LLP audited the financial statements of the organization. From 2010 to 2015, RSM/McGladrey, LLP audited the financial statements of the organization. For 2016 to 2018, Clifton Larson Allen, LLP audited the financial statements of the organization. Certified consolidated financial statements covering all facilities are attached hereto as follows:

Interim Financial Statements as of	
December 2018 (unaudited)	Attachment VIII
2018 Audit Report	Attachment I

- C. Pro-forma financial statements are attached hereto as Attachment III.



VII. **RESERVES, ESCROW, AND TRUSTS**

- A. Baptist Retirement Homes of North Carolina, Incorporated is the income beneficiary of various trusts administered by the North Carolina Baptist Foundation. These trusts have a market value of approximately \$4,936,962. Income received from these trusts is approximately \$129,614 per year.

Baptist Retirement Homes of North Carolina, Incorporated is the income beneficiary of a trust under the Will of John Alonzo Bolich, Jr. The trust, being administered by Wells Fargo Bank, has a market value of approximately \$ 2,147,576. Annual income from the trust is approximately \$89,082.

Baptist Retirement Homes of North Carolina, Incorporated is the income beneficiary of a trust under the Will of Clyde Little. The trust is being held in an account at Wells Fargo Charitable Funds Department, and has a market value of \$611,095. Annual income from the trust is approximately \$18,590.

In 1994, Baptist Retirement Homes of North Carolina, Incorporated established a memorial fund for the benefit of supplementing the cost of care for residents who do not have the financial resources to pay for their care. The funds have a balance of \$2,879,604. Annual income from the fund is approximately \$71,111.

- B. The forecasted financial statements will reflect the Homes' funding of an operating reserve as required by N.C.G.S. §58-64. The operating reserve must be an amount at least equal to fifty percent (50%) of operating expenses (net of depreciation and amortization) plus debt service for all facilities considered to be continuing care retirement communities. As only the Brookridge Retirement Community and The Gardens of Taylor Glen Retirement Community qualify as a continuing care retirement communities, only the operating expenses related to the Brookridge Retirement Community and to The Gardens of Taylor Glen Retirement Community are used to calculate the reserve. The forecast will also assume an interest rate between one to five percent (1-5%) will be earned on these funds based on the average balance during the year.

C. The asset managers of First Citizens invest the reserve portfolio managed by First Citizens Bank. The funds on deposit with First Citizens are invested seventy percent (70%) in equities and thirty percent (30%) in fixed income funds. The following is a list of the investment management professionals that are overseeing the investment decisions and their professional investment experience for each fund.

<u>Fund</u>	<u>Manager</u>	<u>Years of Experience</u>
Equities/Fixed Income/Asset Allocation (CIO)	Brent Ciliano	26
Asset Allocation/Manager Due Diligence	Brian Storey	16
Equities	Steve Eubanks	34
Fixed Income	Joe Mirsky	28

VIII. **FACILITY DEVELOPMENT/EXPANSION**

The Baptist Retirement Homes of North Carolina, Incorporated has been involved in the following development since 1990:

In December 1990, Baptist Retirement Homes of North Carolina, Incorporated was given Certificate of Need approval to construct a one-hundred (100)-bed nursing care addition to its Western North Carolina Baptist Home in Asheville. Construction on the one-hundred (100)-bed addition began in the fall of 1991, and the center was opened in February 1993.

In 1994, a Solarium was added to the Prince Nursing Care Center to house a special small group program designed to enhance the quality of life experienced by institutionalized Older Adults who have dementia. A similar addition was made to the Western North Carolina Baptist Home in 1995.

In 1997, community-wide renovation work at The Taylor House was completed.

In 1997, renovation work at the Adult Care Home Residence at the Western North Carolina Baptist Home was completed.

In 1997, construction began on five two bedroom deluxe apartments at the Brookridge Retirement Community. The apartment project was completed in the summer of 1998.

In 1998, construction began on an indoor swimming pool and fitness center at the Brookridge Retirement Community. The pool was completed in September 1999.

In 1998, renovation work at the Western North Carolina Baptist Home began to develop a nine (9)-bed memory-enhanced residence. The memory-enhanced residence was completed in the fall of 1999.

In 2001, The Gardens of Taylor Glen was opened for operation.

Construction on a memory-enhanced residence at the Brookridge Retirement Community began in February 2001, and the project was completed in October 2001.

In 2002, community-wide renovation of The Taylor House was completed to include a new elevator, new boiler, and new kitchen area.

In 2003, a special residence for Older Adults with dementia was opened at the Western North Carolina Baptist Home.

In 2006, a café dining area for independent living residents was opened at the Brookridge Retirement Community.

In 2010, the administrative and family area at Brookridge Retirement Community Nursing Care Center was renovated.

In 2012, Baptist Retirement Homes began construction of a new wing and renovation of existing rooms and administrative offices at the Prince Nursing Care Center in Winston-Salem. The new wing was completed in 2013 and the renovations completed in 2014.

In 2014, the Brookridge Independent Living Lobby area was renovated.

In 2015, the Western North Carolina Baptist Home began renovation of the Nursing Care Center, which was completed in 2016.

**IX. OTHER MATERIAL INFORMATION**

As of the date of this Disclosure Statement, Baptist Retirement Homes of North Carolina, Incorporated has not been involved in any past or current litigation, bankruptcy filings, receivership, liquidation, impending actions or perils.

**X. RESIDENT AGREEMENT/CONTRACT**

A copy of the current Resident Agreements which comply with all contract specifications as per N.C.G.S. §58-64-25(a) and (b) is attached to this Disclosure Statement as Attachment V and Attachment VI for Adult Care Home, and Nursing Care at The Gardens of Taylor Glen Retirement Community.

XI. **ATTACHMENTS TO DISCLOSURE STATEMENT**

Attachment I	9/30/18 Audit Report
Attachment II	Financial Data – Actual Compared to Forecasted
Attachment III	Pro-Forma Financial Statements
Attachment IV	Apartment Resident Agreement – Independent Living Apartments
Attachment IV-A	Amendment to Resident Agreement; Promissory Note; and Deed of Trust
Attachment V	Residency Agreement – Adult Care Home Residence
Attachment VI	Nursing Care Agreement
Attachment VII	Life Expectancy Table
Attachment VIII	October 2018 – December 2018 Interim Financial Statements (unaudited)

# **ATTACHMENT I**

**9/30/18 Audit Report**

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
INCORPORATED AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
INCORPORATED AND AFFILIATE  
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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Baptist Retirement Homes of North Carolina, Incorporated  
Winston-Salem, North Carolina

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

We have audited the accompanying consolidated financial statements of Baptist Retirement Homes of North Carolina, Incorporated and Affiliate (collectively, the Organization), which comprise the consolidated balance sheets as of September 30, 2018 and 2017, and the related consolidated statements of activities 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Board of Trustees  
Baptist Retirement Homes of North Carolina, Incorporated

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Baptist Retirement Homes of North Carolina, Incorporated and Affiliate as of September 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
December 19, 2018

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
INCORPORATED AND AFFILIATE  
CONSOLIDATED BALANCE SHEETS  
SEPTEMBER 30, 2018 AND 2017**

<b>ASSETS</b>	2018	2017
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 7,999,704	\$ 8,732,285
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$51,660 and \$68,215 in 2018 and 2017, Respectively	1,214,077	918,868
Investments	46,178,203	44,010,753
Contributions Receivable	130,422	138,079
Prepaid Expenses and Other Assets	371,358	582,785
Total Current Assets	55,893,764	54,382,770
<b>ASSETS LIMITED AS TO USE</b>		
Internally Designated for Capital Development	854,100	483,170
Internally Designated for Statutory Operating Reserve	7,579,542	7,406,498
Restricted under Debt Agreements	3,245,074	3,171,177
Total Assets Limited as to Use	11,678,716	11,060,845
<b>INVESTMENTS AND OTHER ASSETS</b>		
Assets in Split-Interest Agreements:		
Charitable Remainder Trusts	1,052,203	1,093,524
Beneficial Interest in Perpetual Trusts	7,084,538	6,942,210
Other Assets	72,716	108,730
Total Investments and Other Assets	8,209,457	8,144,464
<b>PROPERTY AND EQUIPMENT, NET</b>	49,092,697	51,293,587
Total Assets	\$ 124,874,634	\$ 124,881,666

See accompanying Notes to Consolidated Financial Statements.

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
INCORPORATED AND AFFILIATE  
CONSOLIDATED BALANCE SHEETS (CONTINUED)  
SEPTEMBER 30, 2018 AND 2017**

	2018	2017
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	\$ 2,842,851	\$ 2,728,571
Accounts Payable	403,598	471,291
Accrued Expenses	344,146	336,700
Accrued Employee Compensation	1,341,519	1,334,786
Other Current Liabilities	37,547	46,141
Current Portion of Refundable Advance Fees	155,120	376,523
Total Current Liabilities	5,124,781	5,294,012
<b>LONG-TERM DEBT, LESS CURRENT MATURITIES</b>	33,028,369	35,775,086
<b>DEFERRED REVENUE AND OTHER LIABILITIES</b>		
Deferred Revenue from Advance Fees	10,516,656	11,058,579
Refundable Advance Fees on Occupied Units, Net of Current Portion	2,326,786	1,971,885
Total Deferred Revenue and Other Liabilities	12,843,442	13,030,464
Total Liabilities	50,996,592	54,099,562
<b>NET ASSETS</b>		
Unrestricted	48,370,640	45,405,590
Temporarily Restricted	11,737,841	11,806,554
Permanently Restricted	13,769,561	13,569,960
Total Net Assets	73,878,042	70,782,104
Total Liabilities and Net Assets	\$ 124,874,634	\$ 124,881,666

See accompanying Notes to Consolidated Financial Statements.

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
INCORPORATED AND AFFILIATE  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	2018	2017
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>		
Net Resident Service Revenue, including Amortization of Deferred Revenue from Nonrefundable Advance Fees of \$1,966,295 in 2018 and \$1,897,412 in 2017	\$ 24,886,724	\$ 24,010,753
Gifts, including Gifts from Churches and Special Day Offerings	350,186	419,821
Income from Grants	277,218	281,070
Income from Estates and Trusts	429,440	256,842
Investment Income and Realized Gains	2,929,697	3,116,730
Net Assets Released from Restrictions	877,359	1,571,752
Other	442,987	512,628
Total Revenues, Gains, and Other Support	30,193,611	30,169,596
<b>OPERATING EXPENSES</b>		
Resident Care	11,040,166	10,560,595
Dietary	2,806,509	2,732,682
Maintenance and Housekeeping	4,391,653	4,311,094
General and Administrative	4,113,246	3,780,001
Depreciation	3,473,883	3,365,751
Interest	1,601,190	1,731,580
Total Expenses	27,426,647	26,481,703
<b>OPERATING INCOME</b>	2,766,964	3,687,893
<b>NON-OPERATING INCOME</b>		
Unrealized Gains on Investments	198,086	2,726,174
<b>EXCESS OF REVENUES OVER EXPENSES AND INCREASE IN UNRESTRICTED NET ASSETS</b>	2,965,050	6,414,067
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	116,365	1,875,096
Investment Income	556,623	-
Change in Value of Charitable Remainder Trusts	(21,831)	8,939
Unrealized Gains on Investments	157,489	438,140
Transfer to Permanently Restricted Net Assets	-	(264,595)
Net Assets Released from Restrictions	(877,359)	(1,571,752)
Increase (Decrease) in Temporarily Restricted Net Assets	(68,713)	485,828
<b>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</b>		
Contributions	57,273	9,205
Change in Value of Beneficial Interest in Perpetual Trusts	142,328	460,686
Transfer from Temporarily Restricted Net Assets	-	264,595
Increase in Permanently Restricted Net Assets	199,601	734,486
<b>INCREASE IN NET ASSETS</b>	3,095,938	7,634,381
Net Assets - Beginning	70,782,104	63,147,723
<b>NET ASSETS - ENDING</b>	\$ 73,878,042	\$ 70,782,104

See accompanying Notes to Consolidated Financial Statements.

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
INCORPORATED AND AFFILIATE  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Net Assets	\$ 3,095,938	\$ 7,634,381
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	3,473,883	3,365,751
Unrealized Gains on Investments	(355,575)	(3,164,314)
Change in Value of Charitable Remainder Trusts	21,831	(8,939)
Change in Value of Beneficial Interest in Perpetual Trusts	(142,328)	(460,686)
Amortization of Deferred Revenue from Advance Fees	(1,966,295)	(1,897,412)
Amortization of Deferred Costs	74,358	74,359
Advance Fees Received	1,892,656	2,365,872
Advance Fees Refunded	(334,786)	(685,173)
Realized Gains on Investments	(2,226,080)	(2,055,168)
Loss on Disposal of Asset	2,977	26,205
Contributions Restricted for Long-Term Purposes	(130,348)	(1,000,000)
(Increase) Decrease in Assets:		
Accounts Receivable	(295,209)	(116,231)
Contributions Receivable	7,657	359
Prepaid Expenses and Other Current Assets	247,441	107,280
Increase (Decrease) in Liabilities:		
Accounts Payable, Accrued Expenses, Accrued Compensation, and Other Current Liabilities	(62,108)	295,925
Net Cash Provided by Operating Activities	3,304,012	4,482,209
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	23,909,727	42,557,398
Purchases of Investments	(23,476,032)	(42,149,932)
Net Purchases of Assets Limited as to Use	(617,871)	(362,195)
Purchases of Property and Equipment	(1,275,970)	(1,514,799)
Net Cash Used by Investing Activities	(1,460,146)	(1,469,528)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of Long-Term Debt	(2,706,795)	(3,064,579)
Proceeds from Contributions Restricted for:		
New Residential Development	130,348	1,000,000
Net Cash Used by Financing Activities	(2,576,447)	(2,064,579)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(732,581)	948,102
Cash and Cash Equivalents - Beginning of Year	8,732,285	7,784,183
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 7,999,704	\$ 8,732,285
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash Payments for Interest	\$ 1,602,680	\$ 1,731,580
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Purchases of Equipment included in Accounts Payable	\$ 10,481	\$ 21,299

See accompanying Notes to Consolidated Financial Statements.

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
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SEPTEMBER 30, 2018 AND 2017**

**NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Baptist Retirement Homes of North Carolina, Incorporated (Homes) is a church-related not-for-profit corporation organized under the laws of the state of North Carolina. The Trustees of the Homes are nominated and elected by the Board. All Trustees must be members of North Carolina Baptist churches. The Homes has a historical relationship with the Baptist State Convention of North Carolina.

The Baptist Retirement Homes Foundation (the Foundation) was established primarily to raise funds for the benevolent ministries of the Homes.

The Board of Directors of the Foundation is elected by the Board of Trustees of the Homes.

Homes owns, maintains, and operates facilities throughout North Carolina for the purpose of providing for the care of older adults. The facilities consist of independent living homes and apartments, with freestanding and combination facilities that include assisted living residences and skilled nursing care rooms. Homes receives direct support from North Carolina Baptist churches, special church offerings, grants from foundations and through gifts and bequests from individuals and businesses to assist with capital projects and the benevolent ministries of the Homes.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Homes and the Foundation (collectively, the Organization). All material related party balances and transactions have been eliminated in consolidation.

**Basis of Presentation**

The Organization classifies its funds for accounting and reporting purposes as either unrestricted, temporarily restricted or permanently restricted:

**Unrestricted Net Assets**

Resources of the Organization that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations, undesignated gifts, and the investment in property and equipment.

**Temporarily Restricted Net Assets**

Resources that carry a donor-imposed restriction that permits the Organization to use or expend the donated assets as specified for which the restrictions are satisfied by the passage of time or by actions of the Organization. As those restrictions are met, the contributions are released from temporarily restricted net assets and are transferred to unrestricted net assets. Those resources for which the restrictions are met in the same fiscal year in which they are received are included in unrestricted net assets.

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
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**NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

**Permanently Restricted Assets**

Resources that carry a donor-imposed restriction that stipulates that donated assets be maintained in perpetuity, but may permit the Organization to use or expend part or all of the income derived from the donated assets.

**Use of Estimates**

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

**Cash and Cash Equivalents**

Cash equivalents are defined as short-term, highly liquid investments with an original maturity of three months or less from the date of acquisition which are not included in assets limited as to use or investments.

**Accounts Receivable**

The Organization records accounts receivable at the total unpaid balance, which approximates fair value as of September 30, 2018 and 2017. The Organization determines past due status based on the billing dates, and charges a late fee on overdue accounts. The Organization provides an allowance for uncollectible accounts using management's judgment. Accounts past due are individually analyzed for collectability. Accounts receivable that management determines will be uncollectible are written off upon such determination. It is the Organization's policy to seek collection on all overdue accounts.

**Contributions Receivable**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at their fair value, which is measured at the present value of their future cash flows. Conditional promises to give are not included as support until the conditions are substantially met. The Contributions receivable was approximately \$130,000 and \$138,000 at September 30, 2018 and 2017, respectively.

**Assets Limited as to Use**

Assets limited as to use include amounts set aside to meet the operating reserve requirements of NC General Statute Chapter 58, Article 64 as well as amounts held by Trustees under a term loan agreement. In addition, assets limited as to use include amounts held for future capital expenditures. The Board retains control over amounts held for future capital expenditures and may, at its discretion, subsequently use them for other purposes. The statutory operating reserve balance can only be released upon the submittal of a detailed request and approval of the Commissioner of the North Carolina Department of Insurance.

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
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**NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments in debt and equity securities are measured at fair value based on quoted market prices. In determining realized gains and losses, the cost of investments is determined using the first-in, first-out method. Donated investments are recorded at fair value at the date of gift.

The Organization's investments are classified as trading securities. The investments are managed by brokers who actively buy and sell investments within the Organization's investment guidelines. As trading securities, the investments are not subject to other than temporary impairment as the unrealized gains and losses on the investments are shown above the performance indicator of increase in unrestricted net assets on the consolidated statements of activities.

**Assets in Split-Interest Agreements**

The Organization is a beneficiary to several irrevocable split-interest agreements. These split-interest agreements are categorized as charitable remainder trusts, which are included in temporarily restricted net assets, and beneficial interests in perpetual trusts, which are included in permanently restricted net assets. Assets in split-interest agreements are stated at fair value net of discounted future contractual payment obligations.

**Deferred Financing Costs**

Deferred financing costs represent expenses incurred in connection with the permanent financing of the Homes and are deferred and amortized over the life of the related indebtedness using the straight-line method which approximates the effective interest method. Deferred financing costs are net of accumulated amortization of approximately \$460,000 and \$385,000 at September 30, 2018 and 2017, respectively.

**Property and Equipment**

Property and equipment are recorded at cost or, if donated, at market value at the date of contribution. Depreciation is computed over the estimated useful lives of the related assets, ranging from 5 to 31.5 years, using the straight-line method. All additions are depreciated beginning on the date of acquisition.

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

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



**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
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**NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Revenue from Advance Fees**

Advance fees paid by a resident, net of the estimated portion that is refundable to the resident, are recorded as deferred revenue and are amortized into income using the straight-line method over the estimated remaining life expectancy of the resident. Advance fees are refundable pro-rata over the first 24 or 60 months of residency depending on the contract type.

**Obligation to Provide Future Services**

The Organization annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, a liability is recorded with the corresponding charge to income (obligation to provide future services and use of facilities). There was no liability recognized at September 30, 2018 and 2017. The discount rate used in calculating the present value of the net cost of future services was 4.05% and 3.33% for 2018 and 2017, respectively, and was based on the expected long-term rate of return on governmental obligations.

**Net Resident Service Revenue**

Net resident service revenue is reported at the estimated net realizable amounts due from patients, third-party payers, and others for services rendered, including 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 cost report years are no longer subject to such audits, reviews and investigations.

**Excess of Revenues Over Expenses**

The consolidated statements of activities include excess of revenues over expenses. Changes in unrestricted net assets, that are included in excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments in trading securities. Changes that are excluded are gains and losses from sales of property and equipment, as well as contributions of long-lived assets (including assets acquired using contributions that by donor restriction were to be used for the purposes of acquiring such assets).

**Income Taxes**

The Homes and the Foundation are not-for-profit organizations exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3).

The Homes and the Foundation file as tax-exempt organizations. Management is not aware of any activities that would jeopardize the tax-exempt status of the Homes or the Foundation. Management is not aware of any significant activities that are subject to tax on unrelated business income or excise or other taxes for the Homes or the Foundation.

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
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**NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (CONTINUED)**

**Income Taxes (Continued)**

The Homes and the Foundation follow guidance in the income tax standard regarding recognition and measurement of uncertain tax positions. The application of the standard has had no impact on the Homes' or the Foundation's consolidated financial statements.

**Fair Value of Financial Instruments**

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

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

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

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

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

Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. Assets valued using Level 2 inputs include charitable remainder trusts, gift annuity funds, and real estate investment trusts. Assets valued using Level 3 inputs include beneficial interests in perpetual trusts.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value. The Organization may elect to measure newly acquired financial instruments at fair value in the future.

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
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**NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Risks and Uncertainties**

The Organization holds investments in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments, either positively or negatively, will continue to occur in the near term and those changes could materially affect the Organization's investment balances and the amounts reported in the consolidated balance sheets of the Organization.

**Subsequent Events**

All the effects of subsequent events that provide additional evidence about conditions that existed at the consolidated financial statements date, including the estimates inherent in the process of preparing the consolidated financial statements, are recognized in the consolidated financial statements. The Organization does not recognize subsequent events that provide evidence about conditions that did not exist at the consolidated financial statements date but arose after, but before the consolidated financial statements are available to be issued. In some cases, nonrecognized subsequent events are disclosed to keep the consolidated financial statements from being misleading.

The Organization has evaluated its subsequent events through December 19, 2018, the date the consolidated financial statements were available to be issued.

**NOTE 2 ASSETS LIMITED AS TO USE AND INVESTMENTS**

Assets limited as to use at September 30, 2018 and 2017 are summarized in the following table. Investments are stated at fair value.

	2018	2017
Internally Designated for Capital Development:		
Cash and Cash Equivalents	\$ 854,100	\$ 483,170
Internally Designated for Statutory Operating Reserve:		
Cash and Cash Equivalents	238,363	32,135
Mutual Funds, Equities	4,534,654	5,147,390
Mutual Funds, Bonds	1,146,538	1,838,583
Equity Securities	1,525,656	106,753
Real Estate Investment Trusts	4,632	4,952
Other Various Investments	129,699	276,685
Total	7,579,542	7,406,498
Restricted Under Debt Agreements:		
Cash and Cash Equivalents	221,624	331,172
Mutual Funds, Equities	1,142,562	1,381,951
Mutual Funds, Bonds	1,880,888	1,458,054
Total	3,245,074	3,171,177
Total Assets Limited as to Use	\$ 11,678,716	\$ 11,060,845

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
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**NOTE 2 ASSETS LIMITED AS TO USE AND INVESTMENTS (CONTINUED)**

Two of Homes' facilities are required by NC General Statute Chapter 58, Article 64 to fund an operating reserve account. The operating reserve must be an amount at least equal to 25% or 50% (depending on occupancy) of forecasted operating expenses (net of depreciation and amortization), plus annual debt service. The operating reserve requirement for Brookridge Retirement Community was \$5,124,068 and \$5,043,812 as of September 30, 2018 and 2017, respectively. The operating reserve requirement for The Gardens of Taylor Glen was \$2,455,474 and \$2,362,686 as of September 30, 2018 and 2017, respectively.

Other investments, stated at fair value, at September 30, 2018 and 2017, include:

	<u>2018</u>	<u>2017</u>
Other Investments:		
Cash and Cash Equivalents	\$ 224,632	\$ -
Mutual Funds, Equities	29,784,414	30,457,556
Mutual Funds, Bonds	10,398,224	11,545,941
Equity Securities	5,509,653	1,787,311
Real Estate Investment Trusts	79,822	82,913
Other Various Investments	181,458	137,032
Total	<u>\$ 46,178,203</u>	<u>\$ 44,010,753</u>

Investment income and unrealized and realized gains for assets limited as to use, cash equivalents, and other investments are comprised of the following for the years ended September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Investment Income and Realized and Unrealized Gains:		
Interest and Dividend Income	\$ 1,260,240	\$ 1,061,562
Net Realized Gains on Sales of Securities	2,226,080	2,055,168
Total	<u>\$ 3,486,320</u>	<u>\$ 3,116,730</u>
 Unrealized Gains on Investments	 <u>\$ 355,575</u>	 <u>\$ 3,164,314</u>

The Organization has assessed the classification of its investments and determined the investments should be classified as trading securities. The investments are managed by different investment brokers who have the ability to buy and sell investments within the parameters set forth by the Organization's investment policy. The brokers are not expressly limited to any number of transactions they can execute to achieve investment goals. Due to this, the investments are classified as trading securities. As trading securities, the investments are not subject to other-than-temporary impairment.

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
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**NOTE 3 ASSETS IN SPLIT-INTEREST AGREEMENTS**

The irrevocable split-interest agreements in which the Organization has a beneficial interest are categorized as follows:

**Charitable Remainder Trusts**

A charitable remainder trust provides for payments to the grantor or other designated beneficiaries over the trust's term. The terms of most of the charitable remainder trusts which name the Organization as a remainder beneficiary are the lifetimes of the respective distribution recipients. At the end of the respective trust's terms, the remaining assets in which Homes has an interest will be distributed to the Organization.

Upon receipt of a beneficial interest in a charitable remainder trust, the present value of such interest is recorded as contribution revenue. The annual change in the present value of the beneficial interest is recorded as a change in value of charitable remainder trusts on the consolidated statements of activities. Such valuations are based on estimated mortality rates and other assumptions that could change in the near term. The discount rates used in the calculations were 4.05% and 3.33% for the fiscal years 2018 and 2017, respectively.

**Beneficial Interest in Perpetual Trust**

Beneficial interest in perpetual trusts represents assets held in trust and administered by a third party, from which the Organization has the irrevocable right to receive a share of income from the trust's assets in perpetuity. These assets are stated at the fair value of the Organization's share of trust assets, which is an approximation of the present value of the estimated future distributions from this trust.

Upon receipt of an irrevocable interest in the income of a perpetual trust administered by a third party, the Organization records the fair value of estimated future distributions from the trust as permanently restricted contribution revenue. Over the term of the perpetual trust, income distributions to the Organization are included in investment income. Annual changes in the fair value of trust assets are recorded as permanently restricted gains or losses on the consolidated statements of activities. Such valuations are based on estimated mortality rates and other assumptions that could change in the near term.

**NOTE 4 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at September 30:

	2018	2017
Land and Land Improvements	\$ 7,053,723	\$ 7,034,848
Buildings and Improvements	89,731,134	88,780,988
Furniture, Fixtures, and Equipment	5,330,205	5,212,391
Vehicles	728,827	632,495
Total	102,843,889	101,660,722
Less: Accumulated Depreciation	54,279,927	50,908,041
Total	48,563,962	50,752,681
Construction in Progress	528,735	540,906
Total Property and Equipment	\$ 49,092,697	\$ 51,293,587

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
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**NOTE 4 PROPERTY AND EQUIPMENT (CONTINUED)**

Construction in progress as of September 30, 2018 primarily related to improvements at the Brookridge and Taylor Glen locations. Construction in progress as of September 30, 2017 was related to renovations at the WNC Baptist Home location.

**NOTE 5 LONG-TERM DEBT**

Long-term debt consists of the following at September 30:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Term Loan at 4.1%, Maturing in 2028	\$ 23,882,058	\$ 25,951,603
Permanent Loan at 4.28%, Maturing in 2027	<u>12,644,809</u>	<u>13,282,059</u>
Total	36,526,867	39,233,662
Less: Current Maturities	2,842,851	2,728,571
Less: Unamortized Deferred Financing Costs	<u>655,647</u>	<u>730,005</u>
Long-Term Debt, Net	<u>\$ 33,028,369</u>	<u>\$ 35,775,086</u>

In 2013, the Organization entered into a Term Loan Agreement for \$34,650,000 to refinance the remaining balances on the Organization's North Carolina Medical Care Commission term bonds. The Organization is responsible for monthly payments consisting of interest and principal through maturity in February 2028 in the amount of \$259,036. The term loan carries an interest rate of 4.1%.

In 2012, the Organization entered into a Construction and Permanent Loan Agreement to finance construction and renovations at Brookridge Retirement Community with a maximum borrowing of \$16,500,000. Interest only was due and payable for the first 12 months under the agreement and then principal and interest based on the bank's amortization schedule. On October 25, 2014, the Loan Agreement was finalized upon the completion of the construction project to adjust the principal and interest payments based on the actual borrowings. The Organization is responsible for payments consisting of interest and principal in the amount of \$100,100 through maturity in February 2027. The debt carries an interest rate of 4.28%.

Security for the Term Loan Agreement and Construction and Permanent Loan Agreement consist of a pledge and assignment to the lender of all rights, title, interest in and first priority deeds of trust on all property of Brookridge and The Gardens of Taylor Glen.

The Term Loan Agreement and Construction and Permanent Loan Agreement contain certain payments and covenants, which include the maintenance of a long-term debt service coverage ratio, cash-to-debt ratio and restricts, among other things, incurrence of indebtedness, existence of liens on property, consolidations and mergers, disposition of assets and changes in members of the obligated group. At September 30, 2018 and 2017, management has determined the Organization is in compliance with these requirements.

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
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**NOTE 5 LONG-TERM DEBT (CONTINUED)**

Aggregate maturities required on long-term debt as of September 30, 2018 are due in future years as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$ 2,842,851
2020	2,963,846
2021	3,088,988
2022	3,219,416
2023	3,355,353
Thereafter	21,056,413
Total	<u>\$ 36,526,867</u>

**NOTE 6 DEFERRED REVENUE FROM ADVANCE FEES AND REFUNDABLE ADVANCES**

At September 30, 2018 and 2017, the portion of advance fees subject to refund provisions was approximately \$2,482,000 and \$2,348,000, respectively. The amount expected to be refunded to current residents within the next year, based on the Organization's experience, is approximately \$155,000.

Prior to the opening of The Gardens of Taylor Glen, the Organization offered an incentive for new entrants. The incentive entitled the initial residents a refund equal to 90% of the full entrance fees regardless of when they leave the facility. Brookridge Retirement Community offers incentives to new Garden Home residents on a 90% and 50% refundable basis. The balance of these deposits on occupied units totaled \$2,326,786 and \$1,971,885 at September 30, 2018 and 2017, respectively.

**NOTE 7 NET RESIDENT SERVICE REVENUE**

The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from established rates. Under the Medicare and Medicaid programs, the Organization is entitled to reimbursement for certain resident charges at rates determined by federal and state governments. Differences between established billing rates and reimbursements from these programs are recorded as contractual adjustments to reduce resident service revenue. Approximately 6% and 4% of the Homes' revenue for the years ended September 30, 2018 and 2017, respectively, was derived from Medicare. Approximately 8% and 9% of Homes' revenue for the years ended September 30, 2018 and 2017, respectively, was derived from Medicaid.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that the recorded estimates will change by a material amount in the near term; however, there were no adjustments to net patient service revenue in either 2018 or 2017 as a result of changes in the estimated reimbursement.

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
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**NOTE 7 NET RESIDENT SERVICE REVENUE (CONTINUED)**

A summary of net resident service revenue for the years ended September 30 is as follows:

	<u>2018</u>	<u>2017</u>
Gross Resident Service Charges	\$ 26,251,918	\$ 25,233,117
Contractual Adjustments and Benevolent Care	<u>(3,331,489)</u>	<u>(3,119,776)</u>
Net Resident Service Charges	22,920,429	22,113,341
Amortization of Deferred Revenue	<u>1,966,295</u>	<u>1,897,412</u>
Total	<u>\$ 24,886,724</u>	<u>\$ 24,010,753</u>

The Organization maintains records, and the Board has oversight, to identify and monitor the amount of charges foregone for services and supplies furnished under its benevolent assistance policy and to identify and monitor the level of benevolent assistance it provides. These include reduced rates for Medicare, Medicaid, and other governmental programs. The charges foregone, based on established rates, were approximately \$2,678,000 and \$2,602,000 during the years ended September 30, 2018 and 2017, respectively.

The Organization has estimated its direct and indirect costs of providing assistance under its benevolent assistance policy. In order to estimate the cost of providing such assistance, management calculated a cost-to-charge ratio by comparing the total operating costs to total operating revenue. The cost-to-charge ratio is applied to the charges foregone to calculate the estimated direct and indirect cost of providing benevolent assistance. Using this methodology, the Organization has estimated the costs for services under the Organization's benevolent assistance policy to be approximately \$542,000 and \$408,000 for the years ended September 30, 2018 and 2017, respectively. In addition, the amount of direct benevolent assistance provided by Homes was approximately \$510,000 and \$406,000 during the years ended September 30, 2018 and 2017, respectively.

The total foregone charges and direct benevolent assistance totaled approximately \$3,331,000 and \$3,120,000 during the years ended September 30, 2018 and 2017, respectively.

**NOTE 8 RETIREMENT PLAN**

The Organization has a defined contribution annuity plan (the Plan) with Guidestone Financial Resources. The Plan has a contributory feature and participation in the Plan is optional at the election of the employees. To qualify for the employer matching contribution, employees must have been employed with the Organization for two years and must contribute 3% of their compensation to the Plan. Employer contributions to the Plan are made after each pay period at an amount equal to 100% match of the first 3% of employees' contributions and a 50% match of the next 2% contributed by employees. Employer contributions to the Plan were approximately \$139,000 and \$150,000 for the years ended September 30, 2018 and 2017, respectively.



**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
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**NOTE 9 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisting of contributions restricted as to purpose or the passage of time consist of the following at September 30:

	2018	2017
Charitable Remainder Trusts	\$ 1,035,984	\$ 1,057,725
Geneva Stroupe Support	177,242	173,692
Employee Benefit Account	12,656	13,856
New Residential Development	5,398,746	5,288,108
Taylor House Benevolence and Operating Support	4,827,536	4,649,016
Other	285,677	624,157
Total	\$ 11,737,841	\$ 11,806,554

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes and/or by occurrence of other events specified by donors.

	2018	2017
Purpose Restrictions Accomplished:		
Various Program Operating Expenses	\$ 877,359	\$ 1,571,752

**NOTE 10 ENDOWMENT FUNDS**

**Interpretation of Relevant Law**

The state of North Carolina adopted the North Carolina Prudent Management of Institutional Funds Act (the Act). The Board of Trustees of the Organization has interpreted the Act 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 Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment and (2) the original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted Endowment Fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed in the Act. In accordance with the Act, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
INCORPORATED AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017**

**NOTE 10 ENDOWMENT FUNDS (CONTINUED)**

**Funds with Deficiencies**

It is the Organization's policy to maintain the corpus amounts of each individual donor-restricted endowment fund received. If the fair value of assets associated with individual donor-restricted endowment funds were to fall below the level that the donor or the Act requires the Organization to retain as a fund of perpetual duration, in accordance with GAAP, then such deficiencies would be reported in unrestricted net assets.

**Return Objectives and Risk Parameters**

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to preserve and grow capital, strive for consistent absolute returns, preserve purchasing power by striving for long-term returns which either match or exceed the set payout, fees and inflation without putting the principal value at imprudent risk, and diversify investments consistent with commonly accepted industry standards to minimize the risk of large losses.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Management targets a diversified asset allocation that meets the Organization's long-term rate of return objectives while avoiding undue risk from imprudent concentration in any single asset class or investment vehicle.

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

The Organization's spending policy is consistent with its objective of preservation of the fair value of the original gift of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

At September 30, 2018 and 2017, the Organization had approximately \$13,770,000 and \$13,570,000 in permanently restricted net assets, respectively. Of these respective totals, approximately \$7,077,000 and \$6,942,000 relates to split-interest agreements that are administered and managed by third parties as trustees at September 30, 2018 and 2017, respectively. The remaining \$6,693,000 and \$6,628,000 of permanently restricted net assets at September 30, 2018 and 2017, respectively, are managed by the Organization. The Organization had no board-designated endowment funds as of September 30, 2018 or 2017.

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
INCORPORATED AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017**

**NOTE 10 ENDOWMENT FUNDS (CONTINUED)**

**Spending Policy and How the Investment Objectives Relate to Spending Policy  
(Continued)**

The following is the change in endowment net assets for the years ended September 30, 2018 and 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, September 30, 2016	\$ -	\$ 551,026	\$ 6,353,950	\$ 6,904,976
Unrealized Gains on Investments	-	455,961	-	455,961
Contributions	-	-	274,154	274,154
Net Assets Released from Restrictions	-	(448,284)	-	(448,284)
Endowment Net Assets, September 30, 2017	-	558,703	6,628,104	7,186,807
Unrealized Gains on Investments	-	151,690	-	151,690
Contributions	-	-	65,253	65,253
Net Assets Released from Restrictions	-	(462,575)	-	(462,575)
Endowment Net Assets, September 30, 2018	<u>\$ -</u>	<u>\$ 247,818</u>	<u>\$ 6,693,357</u>	<u>\$ 6,941,175</u>

**NOTE 11 CONCENTRATIONS OF CREDIT RISK**

The Organization maintains demand deposits with financial institutions, the balances of which exceed the federally insured amount. Included in demand deposits are Advance Fee Escrow Accounts, which are mandated by State Statute. The Organization has not experienced any loss as a result of these holdings.

The Organization accepts residents based on strict financial verifications of assets, which become part of their residency contracts. No Medicare or Medicaid residents are accepted without approval from federal, state and/or county agencies.

The mix of accounts receivable from residents and third-party payers at September 30 was as follows:

	2018	2017
Medicare	28 %	27 %
Medicaid	11	17
Other Third-Party Payers	53	40
Self-Pay	8	16
Total	<u>100 %</u>	<u>100 %</u>

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
INCORPORATED AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017**

**NOTE 12 FUNCTIONAL EXPENSES**

The Organization provides residential and health care services to residents of its facilities. Expenses related to these services are as follows for the years ended September 30:

	2018	2017
Residential and Health Care Services	\$ 22,442,240	\$ 21,814,867
General and Administrative	4,684,202	4,385,075
Fundraising	300,205	281,761
Total Functional Expenses	<u>\$ 27,426,647</u>	<u>\$ 26,481,703</u>

**NOTE 13 FAIR VALUE MEASUREMENTS**

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Nature of Organization and Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the consolidated balances of the assets and liabilities of the Organization measured at fair value on a recurring basis as of September 30, 2018 and 2017:

	Assets at Fair Value as of September 30, 2018			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash Equivalents	\$ 1,538,719	\$ -	\$ -	\$ 1,538,719
Investments and Assets Limited as to Use:				
Mutual Funds, Equities:				
Stock Funds	842,853	-	-	842,853
Small Cap	1,650,450	-	-	1,650,450
Mid Cap	4,617,309	-	-	4,617,309
Large Cap	10,562,314	-	-	10,562,314
Alternatives	480,298	-	-	480,298
Emerging Markets	2,431,868	-	-	2,431,868
Growth Funds	3,663,672	-	-	3,663,672
International Stock Funds	4,333,972	-	-	4,333,972
Real Estate Funds	6,817,466	-	-	6,817,466
Specialty Funds	61,428	-	-	61,428
Mutual Funds, Bonds:				
Aggregate Bond Fixed				
Income Institutional	6,742,756	-	-	6,742,756
Corporate Bond Funds	4,420,334	-	-	4,420,334
Emerging Markets Bond Funds	604,197	-	-	604,197
International Bond Funds	384,728	-	-	384,728
High Yield Bond Funds	809,813	-	-	809,813
High Yield Corporate Bond Funds	65,230	-	-	65,230
Foreign Bond Funds	398,592	-	-	398,592
Equity Securities:				
Industrial Goods	226,224	-	-	226,224
Health Care	370,609	-	-	370,609
Services	1,606,065	-	-	1,606,065
Financials	1,008,132	-	-	1,008,132
Technology	1,097,604	-	-	1,097,604
Consumer Goods and Services	843,938	-	-	843,938
Consumer Staples	140,401	-	-	140,401
Energy	141,893	-	-	141,893
Utilities	22,201	-	-	22,201
Materials	1,499,855	-	-	1,499,855
Transportation	29,446	-	-	29,446
Communications	48,941	-	-	48,941
Real Estate Investment Trusts	-	84,454	-	84,454
Other Various Instruments	-	311,157	-	311,157
Total Investments	57,461,308	395,611	-	57,856,919
Charitable Remainder Trusts	-	1,035,895	-	1,035,895
Charitable Gift Annuities Fund	-	16,308	-	16,308
Beneficial Interest in Perpetual Trusts	-	-	7,084,538	7,084,538
Total	<u>\$ 57,461,308</u>	<u>\$ 1,447,814</u>	<u>\$ 7,084,538</u>	<u>\$ 65,993,660</u>

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
INCORPORATED AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017**

**NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)**

	Assets at Fair Value as of September 30, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash Equivalents	\$ 846,477	\$ -	\$ -	\$ 846,477
Investments and Assets Limited as to Use:				
Mutual Funds, Equities:				
Stock Funds	1,006,238	-	-	1,006,238
Small Cap	1,977,680	-	-	1,977,680
Mid Cap	5,514,733	-	-	5,514,733
Large Cap	10,448,795	-	-	10,448,795
Emerging Markets	2,487,211	-	-	2,487,211
Growth Funds	4,266,367	-	-	4,266,367
International Stock Funds	5,997,428	-	-	5,997,428
Real Estate Funds	5,216,516	-	-	5,216,516
Specialty Funds	71,929	-	-	71,929
Mutual Funds, Bonds:				
Corporate Bond Funds	12,495,103	-	-	12,495,103
Emerging Markets Bond Funds	97,327	-	-	97,327
International Bond Funds	778,243	-	-	778,243
Inflation Protected Bond Funds	34,918	-	-	34,918
High Yield Bond Funds	895,479	-	-	895,479
Alternatives	488,869	-	-	488,869
Foreign Bond Funds	52,639	-	-	52,639
Equity Securities:				
Industrial Goods	196,969	-	-	196,969
Health Care	249,714	-	-	249,714
Services	13,877	-	-	13,877
Financials	356,352	-	-	356,352
Technology	341,411	-	-	341,411
Consumer Goods and Services	295,895	-	-	295,895
Consumer Staples	127,501	-	-	127,501
Energy	125,279	-	-	125,279
Utilities	48,745	-	-	48,745
Materials	41,052	-	-	41,052
Transportation	32,413	-	-	32,413
Communications	64,856	-	-	64,856
Real Estate Investment Trusts	-	87,865	-	87,865
Other Various Instruments	-	413,717	-	413,717
Total Investments	<u>54,570,016</u>	<u>501,582</u>	<u>-</u>	<u>55,071,598</u>
Charitable Remainder Trusts	-	1,057,725	-	1,057,725
Charitable Gift Annuities Fund	-	35,799	-	35,799
Beneficial Interest in Perpetual Trusts	-	-	6,942,210	6,942,210
Total	<u>\$ 54,570,016</u>	<u>\$ 1,595,106</u>	<u>\$ 6,942,210</u>	<u>\$ 63,107,332</u>

The following table presents changes in assets measured at fair value using Level 3 inputs on a recurring basis for the years ended September 30, 2018 and 2017:

	Beneficial Interest in Perpetual Trusts
Balance at October 1, 2016	\$ 6,481,524
Changes in Value of Beneficial Interest in Perpetual Trusts	460,686
Contributions	-
Balance at September 30, 2017	<u>6,942,210</u>
Changes in Value of Beneficial Interest in Perpetual Trusts	142,328
Contributions	-
Balance at September 30, 2018	<u>\$ 7,084,538</u>

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
INCORPORATED AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017**

**NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)**

Following is a description of the valuation methodologies used for assets measured at fair value subsequent to initial recognition. These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Mutual Funds and Equity Securities**

Securities traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy.

**Other Various Investments**

Bond securities traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the last reported sales price on the date of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy. The remainder of investments included in this classification is estimated using various techniques, which may consider recently executed transactions in securities of the issuer or comparable issuers, or market price quotations (where observable) and are, therefore, categorized in Level 2 of the fair value hierarchy.

**Beneficial Interest in Perpetual Trusts**

Valued using the market approach based on information supplied by third-party trustees responsible for administering the respective trusts.

**Beneficial Interest in Charitable Remainder Trusts**

Valued using the income approach based on estimated mortality and discount rates. The discount rates used in the valuation calculations were 4.05% and 3.33% for fiscal years 2018 and 2017, respectively.

**NOTE 14 COMMITMENTS AND CONTINGENCIES**

The health care industry is subject to numerous laws and regulations by federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
INCORPORATED AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017**

**NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Self-Insured Health Insurance**

The Organization self-insures its employees' health plan. It has contracted with an administrative service company to supervise and administer the program and act as its representative. Provisions for expected future payments are accrued based on the Organization's experience and include amounts for claims filed and claims incurred but not reported. The Organization has stop loss insurance for excessive and unexpected health claims with an individual deductible of \$60,000 and an aggregate deductible of approximately \$872,000.



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**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION**

Board of Trustees  
Baptist Retirement Homes of North Carolina, Incorporated  
Winston-Salem, North Carolina

We have audited the consolidated financial statements of Baptist Retirement Homes of North Carolina, Incorporated and Affiliate as of and for the year ended September 30, 2018, and our report thereon dated December 19, 2018, which contains an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information 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 consolidating 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
December 19, 2018



**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
INCORPORATED AND AFFILIATE  
CONSOLIDATING BALANCE SHEET  
SEPTEMBER 30, 2018**

<b>ASSETS</b>	<u>Home</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 6,830,997	\$ 1,168,707	\$ -	\$ 7,999,704
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$51,660	1,214,077	-	-	1,214,077
Investments	9,489,105	36,689,098	-	46,178,203
Contributions Receivable	130,422	-	-	130,422
Prepaid Expenses and Other Assets	366,358	5,000	-	371,358
Due from Foundation	2,146,567	-	(2,146,567)	-
<b>Total Current Assets</b>	<u>20,177,526</u>	<u>37,862,805</u>	<u>(2,146,567)</u>	<u>55,893,764</u>
<b>ASSETS LIMITED AS TO USE</b>				
Internally Designated for Capital Development	854,100	-	-	854,100
Internally Designated for Statutory Operating Reserve	7,579,542	-	-	7,579,542
Restricted under Debt Agreements	3,245,074	-	-	3,245,074
<b>Total Assets Limited as to Use</b>	<u>11,678,716</u>	<u>-</u>	<u>-</u>	<u>11,678,716</u>
<b>INVESTMENTS AND OTHER ASSETS</b>				
Assets in Split-Interest Agreements:				
Charitable Remainder Trusts	1,035,895	16,308	-	1,052,203
Beneficial Interest in Perpetual Trust	4,936,962	2,147,576	-	7,084,538
Other Assets	72,716	-	-	72,716
<b>Total Investments, Deferred Costs, and Other Assets</b>	<u>6,045,573</u>	<u>2,163,884</u>	<u>-</u>	<u>8,209,457</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>47,945,515</u>	<u>1,147,182</u>	<u>-</u>	<u>49,092,697</u>
<b>Total Assets</b>	<u><u>\$ 85,847,330</u></u>	<u><u>\$ 41,173,871</u></u>	<u><u>\$ (2,146,567)</u></u>	<u><u>\$ 124,874,634</u></u>

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
INCORPORATED AND AFFILIATE  
CONSOLIDATING BALANCE SHEET (CONTINUED)  
SEPTEMBER 30, 2018**

<b>LIABILITIES AND NET ASSETS</b>	<u>Home</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>CURRENT LIABILITIES</b>				
Current Maturities of Long-Term Debt	\$ 2,842,851	\$ -	\$ -	\$ 2,842,851
Accounts Payable	403,497	101	-	403,598
Accrued Expenses	344,146	-	-	344,146
Accrued Employee Compensation	1,341,519	-	-	1,341,519
Due to Obligated Group	-	2,146,567	(2,146,567)	-
Other Current Liabilities	37,547	-	-	37,547
Current Portion of Refundable Advance Fees	155,120	-	-	155,120
<b>Total Current Liabilities</b>	<u>5,124,680</u>	<u>2,146,668</u>	<u>(2,146,567)</u>	<u>5,124,781</u>
<b>LONG-TERM DEBT, LESS CURRENT MATURITIES</b>	33,028,369	-	-	33,028,369
<b>DEFERRED REVENUE AND OTHER LIABILITIES</b>				
Deferred Revenue from Advance Fees	10,516,656	-	-	10,516,656
Refundable Advance Fees on Occupied Units, Net of Current Portion	2,326,786	-	-	2,326,786
<b>Total Deferred Revenue and Other Liabilities</b>	<u>12,843,442</u>	<u>-</u>	<u>-</u>	<u>12,843,442</u>
<b>Total Liabilities</b>	50,996,491	2,146,668	(2,146,567)	50,996,592
<b>NET ASSETS</b>				
Unrestricted	26,051,053	22,319,587	-	48,370,640
Temporarily Restricted	1,326,822	10,411,019	-	11,737,841
Permanently Restricted	7,472,964	6,296,597	-	13,769,561
<b>Total Net Assets</b>	<u>34,850,839</u>	<u>39,027,203</u>	<u>-</u>	<u>73,878,042</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 85,847,330</u>	<u>\$ 41,173,871</u>	<u>\$ (2,146,567)</u>	<u>\$ 124,874,634</u>

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
INCORPORATED AND AFFILIATE  
CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2018**

	Home	Foundation	Eliminations	Consolidated
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Net Resident Service Revenue, including Amortization of Deferred Revenue from Nonrefundable Advance Fees of \$1,966,295	\$ 24,886,724	\$ -	\$ -	\$ 24,886,724
Gifts, including Gifts from Churches and Special Day Offerings	348,051	2,135	-	350,186
Income from Grants	277,218	-	-	277,218
Income from Estates and Trusts	429,440	-	-	429,440
Investment Income and Realized Gains	2,495,777	433,920	-	2,929,697
Net Assets Released from Restrictions	471,735	405,624	-	877,359
Other	442,987	-	-	442,987
Total Unrestricted Revenues and Gains	<u>29,351,932</u>	<u>841,679</u>	<u>-</u>	<u>30,193,611</u>
<b>OPERATING EXPENSES</b>				
Resident Care	11,040,166	-	-	11,040,166
Dietary	2,806,509	-	-	2,806,509
Maintenance and Housekeeping	4,391,653	-	-	4,391,653
General and Administrative	3,864,467	248,779	-	4,113,246
Depreciation	3,465,984	7,899	-	3,473,883
Interest	1,601,190	-	-	1,601,190
Total Expenses	<u>27,169,969</u>	<u>256,678</u>	<u>-</u>	<u>27,426,647</u>
<b>OPERATING INCOME</b>	2,181,963	585,001	-	2,766,964
<b>NON-OPERATING INCOME</b>				
Unrealized Gains (Losses) on Investments	<u>(198,880)</u>	<u>396,966</u>	<u>-</u>	<u>198,086</u>
<b>EXCESS OF REVENUES OVER EXPENSES AND INCREASE IN UNRESTRICTED NET ASSETS</b>				
	1,983,083	981,967	-	2,965,050

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
INCORPORATED AND AFFILIATE  
CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2018**

	Home	Foundation	Eliminations	Consolidated
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>				
Contributions	\$ 2,135	\$ 114,230	\$ -	\$ 116,365
Investment income	-	556,623	-	556,623
Change in Value of Charitable Remainder Trusts	(21,831)	-	-	(21,831)
Change in Unrealized Gains on Investments	151,690	5,799	-	157,489
Transfer to Permanently Restricted Net Assets	-	-	-	-
Net Assets Released from Restrictions	(471,735)	(405,624)	-	(877,359)
Increase (Decrease) in Temporarily Restricted Net Assets	(339,741)	271,028	-	(68,713)
<b>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</b>				
Contributions	-	57,273	-	57,273
Change in Value of Beneficial Interest in Perpetual Trusts	78,888	63,440	-	142,328
Increase in Permanently Restricted Net Assets	78,888	120,713	-	199,601
<b>INCREASE IN NET ASSETS</b>	1,722,230	1,373,708	-	3,095,938
Net Assets - Beginning	33,128,609	37,653,495	-	70,782,104
<b>NET ASSETS - ENDING</b>	<u>\$ 34,850,839</u>	<u>\$ 39,027,203</u>	<u>\$ -</u>	<u>\$ 73,878,042</u>



Investment advisory services are offered through CliftonLarsonAllen  
Wealth Advisors, LLC, an SEC-registered investment advisor.

# **ATTACHMENT II**

## **Financial Data – Actual Compared to Forecasted**

**Baptist Retirement Homes Of North Carolina, Incorporated**  
**Comparison of Actual Net Income Results to Forecasted Projected**  
**Balance Sheet**  
**FYE 9/30/2018 (In Thousands of Dollars)**

	<b>2018 Actual (Audited)</b>	<b>2018 Forecasted</b>	<b>Variance Positive = favorable</b>	
				All variances have been reviewed, however, anything less than 1% of Total Assets (\$1,249) would be considered immaterial
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	8,000	9,040	(1,040)	Immaterial
Accounts receivable, net	1,214	1,034	180	Immaterial
Investments	46,178	45,096	1,082	Immaterial
Contributions receivable	130	148	(18)	Immaterial
Prepaid expenses and other current assets	371	738	(367)	Immaterial
<b>Total Current Assets</b>	<b>55,893</b>	<b>56,056</b>	<b>(163)</b>	
<b>Assets whose Use is Limited, Net</b>				
Internally designated for capital development	854	483	371	Immaterial
Internally designated for statutory operating reserve	7,580	7,604	(24)	Immaterial
Restricted under debt agreements	3,245	3,108	137	Immaterial
<b>Total assets limited to use</b>	<b>11,679</b>	<b>11,195</b>	<b>484</b>	
<b>Investments, Deferred Costs and Other Assets</b>				
Assets in split-interest agreements:				
Charitable remainder trusts	1,052	1,094	(42)	Immaterial
Beneficial interest in perpetual trust	7,085	6,942	143	Immaterial
Other assets	73	109	(36)	Immaterial
	<b>8,210</b>	<b>8,145</b>	<b>65</b>	
Property and equipment, Net	49,093	49,114	(21)	Immaterial
<b>Total assets</b>	<b>124,875</b>	<b>124,510</b>	<b>365</b>	

**Baptist Retirement Homes Of North Carolina, Incorporated**  
**Comparison of Actual Net Income Results to Forecasted Projected**  
**Balance Sheet**  
**FYE 9/30/2018 (In Thousands of Dollars)**

	<b>2018 Actual (Audited)</b>	<b>2018 Forecasted</b>	<b>Variance Positive = favorable</b>	
				All variances have been reviewed, however, anything less than 1% of Total Assets (\$1,249) would be considered immaterial
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Current maturities of long-term debt	2,843	2,844	(1)	Immaterial
Accounts payable	404	430	(26)	Immaterial
Accrued expenses	344	369	(25)	Immaterial
Accrued employee compensation	1,342	1,291	51	Immaterial
Other current liabilities	38	61	(23)	Immaterial
Current portion of refundable advance fees	155	377	(222)	Immaterial
<b>Total current liabilities</b>	<b>5,126</b>	<b>5,372</b>	<b>(246)</b>	
<b>Long-Term Debt, Less Current Maturities</b>	<b>33,028</b>	<b>33,005</b>	<b>23</b>	Immaterial
<b>Deferred Revenue and Other Liabilities</b>				
Deferred revenue from advance fees	10,517	10,455	62	Immaterial
Refundable advance fees on occupied units, net of current portion	2,326	2,726	(400)	Immaterial
<b>Total Deferred Revenue and Other Liabilities</b>	<b>12,843</b>	<b>13,181</b>	<b>(338)</b>	
<b>Total liabilities</b>	<b>50,997</b>	<b>51,558</b>	<b>(561)</b>	
<b>Net Assets</b>				
Unrestricted	48,370	47,575	795	Immaterial
Temporarily restricted	11,738	11,807	(69)	Immaterial
Permanently restricted	13,770	13,570	200	Immaterial
<b>Total net assets</b>	<b>73,878</b>	<b>72,952</b>	<b>926</b>	
<b>Total liabilities and net assets</b>	<b>124,875</b>	<b>124,510</b>	<b>365</b>	



**Baptist Retirement Homes Of North Carolina, Incorporated**  
**Comparison of Actual Net Income Results to Forecasted Projected**  
**Statements of Operations and Changes in Net Assets**  
**FYE 9/30/2018 (In Thousands of Dollars)**

2018 Actual (Audited)	2018 Forecasted	Variance Positive = favorable
--------------------------	--------------------	-------------------------------------

All variances have been reviewed, however, anything less than 1% of Revenues (\$301) would be considered immaterial

Revenues, gains and other support:

Net resident service revenue, including amortization of deferred revenue from nonrefundable advance fees of \$1,966 in 2018

\$ 24,887    \$ 26,859    \$ (1,972) A

Gifts, including gifts from churches and special day

350                      577                      (227) C

Income from grants

277                      220                      57 C

Income from Estates and Trusts

430                      325                      105 C

Investment Income and Realized Gains

2,930                    1,561                    1,369 D

Net Assets Released from Restrictions

877                      -                          877 C

Other

443                      109                      334 A

**Total revenues, gains and other support**

30,194                    29,651                    543

Operating expenses:

Resident care

11,040                    10,975                    (65) B

Dietary

2,807                    2,847                    40 B

Maintenance & Housekeeping

4,392                    4,096                    (296) B

General & administrative

4,113                    4,529                    416 B

Depreciation

3,474                    3,380                    (94) B

Interest

1,601                    1,655                    54 B

**Total operating expenses**

27,427                    27,482                    55 B

**Operating Income**

2,767                    2,169                    598 Subtotal

**Baptist Retirement Homes Of North Carolina, Incorporated**  
**Comparison of Actual Net Income Results to Forecasted Projected**  
**Statements of Operations and Changes in Net Assets**  
**FYE 9/30/2018 (In Thousands of Dollars)**

	2018 Actual (Audited)	2018 Forecasted	Variance Positive = favorable	
				All variances have been reviewed, however, anything less than 1% of Revenues (\$301) would be considered immaterial
<b>Non-Operating Income</b>				
Unrealized Gains (Losses) on Investments	198		198	D
<b>Excess (Deficit) of Revenues Over Expenses and Increase (Decrease) in Unrestricted Net Assets</b>	2,965	2,169	796	Subtotal
<b>Changes in Temporarily Restricted Net Assets</b>				
Contributions	116	-	116	C
Investment Income	557	-	557	D
Change in Value of Charitable Remainder Trusts	(22)	-	(22)	D
Change in Unrealized Gains(Losses) on Investments	157	-	157	D
Transfer to Permanently Restricted Net Assets	-	-	-	C
Net Assets Released from Restrictions	(877)	-	(877)	C
<b>Change in temporarily restricted net assets</b>	(69)	-	(69)	Subtotal
<b>Changes in Permanently Restricted Net Assets</b>				
Contributions	57	-	57	C
Change in Value of Beneficial Interest in Perpetual Trusts	142	-	142	D
Transfer from Temporarily Restricted Net Assets	-	-	-	C
<b>Change in permanently restricted net assets</b>	199	-	199	Subtotal
<b>Change in net assets</b>	3,095	2,169	926	Total

**Baptist Retirement Homes Of North Carolina, Incorporated**  
**Comparison of Actual Net Income Results to Forecasted Projected**  
**Statements of Operations and Changes in Net Assets**  
**FYE 9/30/2018 (In Thousands of Dollars)**

2018 Actual (Audited)	2018 Forecasted	Variance Positive = favorable Effect
--------------------------	--------------------	-----------------------------------------------

All variances have been reviewed, however, anything less than 1% of Revenues (\$301) would be considered immaterial

A	Net Resident Revenue was less than forecasted mainly driven by an independent living repositioning project in process.	(1,638)
B	Expenses were favorable to the forecast driven by lower medical supply, telephone and utility costs.	55
C	Combined Gifts from Estates, Trusts and Donors had favorable contributions.	108
D	Investments and Trusts were forecasted very conservatively due to the uncertainty of Market volatility. The positive effect of the Market in 2018 resulted in favorable realized and unrealized gains.	
	-Change in Value of Beneficial Interest in Perpetual Trusts	142
	-Change in Value of Charitable Remainder Trusts	(22)
	-Change in Unrealized Gains/(Losses)	355
	-Realized Gains and Investment Income	1,926
	Total Investment Gains/(Losses)	2,401
	<b>Total</b>	<b>926</b>

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA, INCORPORATED**  
**STATEMENT OF CASH FLOWS**  
**FYE 09/30/2018 (In Thousands of Dollars)**

	<b>2018 Actual (Audited)</b>	<b>2018 Forecasted</b>	<b>Variance</b>	
				All variances have been reviewed, however, anything less than 1% of Revenues (\$301) is considered to be immaterial
<b>Cash Flows From Operating Activities</b>				
Increase (decrease) in net assets	\$ 3,096	\$ 2,169	\$ 927	See variance analysis of Statement of Operations for explanation for details that make up this \$927 Thousand variance.
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:				
Depreciation	3,474	3,380	94	Immaterial
Unrealized gains on investments	(356)		(356)	Function of Stock Market - difficult to predict and not budgeted
Change in value of charitable remainder trusts	22		22	Immaterial
Change in value of beneficial interest in perpetual trusts	(142)		(142)	Immaterial
Amortization of deferred revenue from advance fees	(1,966)	(1,450)	(516)	Entrance Fees vary related to size of unit
Amortization of deferred costs and bond discount	74	74	-	Immaterial
Advance fees received	1,893	2,300	(407)	Entrance Fees vary related to size of unit
Advance fees refunded	(335)	(700)	365	Immaterial
Realized Gains on Investments	(2,226)		(2,226)	Function of Stock Market - difficult to predict and not budgeted
(Gain) Loss on Disposal of Assets	3		3	Immaterial
Contributions restricted for long-term purposes	(131)		(131)	Immaterial
Change in assets and liabilities:				
(Increase) decrease in Assets:				
Accounts receivable	(295)	(115)	(180)	Immaterial
Contributions receivable	8	(10)	18	Immaterial
Prepaid expenses and other current assets	247	(155)	402	Timing of Payments made
Accounts payable, accrued expenses, accrued compensation, and other current liabilities	(62)	(36)	(26)	Immaterial
<b>Net cash provided by operating activities</b>	<b>3,304</b>	<b>5,457</b>	<b>(2,153)</b>	

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA, INCORPORATED**  
**STATEMENT OF CASH FLOWS**  
**FYE 09/30/2018 (In Thousands of Dollars)**

	2018 Actual (Audited)	2018 Forecasted	Variance	
<b>Cash Flows From Investing Activities</b>				
Proceeds from sale of investments	23,910	(1,085)	24,995	
Purchase of investments	(23,476)		(23,476)	
Net purchases of assets whose use is limited	(618)	(135)	(483)	
Purchase of property and equipment	(1,276)	(1,200)	(76)	Immaterial
<b>Net cash provided in investing activities</b>	<u>(1,460)</u>	<u>(2,420)</u>	960	
<b>Cash Flows From Financing Activities</b>				
Payments of long-term debt	(2,707)	(2,729)	22	Immaterial
Proceeds from contributions restricted for:				
New Residential development	131	-	131	Immaterial
<b>Net cash used in financing activities</b>	<u>(2,576)</u>	<u>(2,729)</u>	153	
<b>Net incr (decr) in cash and cash equivalents</b>	<u>(732)</u>	308	(1,040)	
<b>Cash and cash equivalents:</b>				
Beginning	8,732	8,732	-	Immaterial
Ending	<u>\$ 8,000</u>	<u>\$ 9,040</u>	<u>\$ (1,040)</u>	

All variances have been reviewed, however, anything less than 1% of Revenues (\$301) is considered to be immaterial

Total Variance in Investment purchases and sales was \$1,036 - due to investment reallocation activity
--------------------------------------------------------------------------------------------------------

# **ATTACHMENT III**

## **Pro-forma Financial Statements**

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA,  
INCORPORATED AND ITS CONSOLIDATED AFFILIATE**

**FORECASTED CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT**

**FOR THE YEARS ENDING  
SEPTEMBER 30, 2019 THROUGH SEPTEMBER 30, 2023**

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA, INCORPORATED  
AND ITS CONSOLIDATED AFFILIATE  
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FOR THE YEARS ENDING  
SEPTEMBER 30, 2019 THROUGH SEPTEMBER 30, 2023**

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**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
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**INDEPENDENT ACCOUNTANTS' COMPILATION REPORT**

Officers and Trustees  
Baptist Retirement Homes of North Carolina, Incorporated  
Winston-Salem, North Carolina

Management is responsible for the accompanying forecasted consolidated financial statements of Baptist Retirement Homes of North Carolina, Incorporated and its consolidated affiliate (the Organization), which comprise the forecasted consolidated balance sheets as of September 30, 2019, 2020, 2021, 2022, and 2023, and the related forecasted consolidated statements of operations and changes in net assets, and cash flows for the years then ending, and the related summaries of significant forecast assumptions and accounting policies in accordance with the guidelines for presentation of a financial forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecasted consolidated financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these forecasted consolidated financial statements or the assumptions. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

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

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

**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
February 20, 2019

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA, INCORPORATED AND ITS  
CONSOLIDATED AFFILIATE**  
**FORECASTED CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDING SEPTEMBER 30,**  
(In Thousands of Dollars)

	2019	2020	2021	2022	2023
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>					
Net Resident Service Revenue	\$ 23,552	\$ 26,614	\$ 27,953	\$ 29,084	\$ 30,378
Amortization of Deferred Revenue from Nonrefundable Advance Fees	1,900	1,919	1,938	1,957	1,977
Gifts, Including Gifts from Churches and Special Day Offerings	307	310	313	316	319
Income from Grants	300	303	306	309	312
Income from Estates and Trusts	483	488	493	498	503
Investment Income	3,000	2,976	3,111	3,276	3,461
Net Assets Released from Restrictions	800	808	816	824	832
Other	28	29	30	31	32
<b>Total Revenues, Gains, and Other Support</b>	<b>30,370</b>	<b>33,447</b>	<b>34,960</b>	<b>36,295</b>	<b>37,814</b>
<b>OPERATING EXPENSES</b>					
Health Care	11,391	12,171	12,670	13,140	13,641
Dietary	2,946	3,133	3,247	3,352	3,464
Maintenance and Housekeeping	3,682	3,945	4,110	4,264	4,430
Laundry	288	297	306	315	324
General and Administrative	4,603	4,895	5,072	5,237	5,412
Depreciation	3,447	3,650	3,835	4,025	4,220
Interest Expense	1,541	1,421	1,295	1,165	1,029
<b>Total Expenses</b>	<b>27,898</b>	<b>29,512</b>	<b>30,535</b>	<b>31,498</b>	<b>32,520</b>
<b>OPERATING INCOME</b>	<b>2,472</b>	<b>3,935</b>	<b>4,425</b>	<b>4,797</b>	<b>5,294</b>
<b>EXCESS OF REVENUES OVER EXPENSES AND INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>2,472</b>	<b>3,935</b>	<b>4,425</b>	<b>4,797</b>	<b>5,294</b>
Donor Restricted Contributions	600	606	612	618	624
Net Assets Released from Restrictions	(800)	(808)	(816)	(824)	(832)
<b>Change in Net Assets with Donor Restrictions</b>	<b>(200)</b>	<b>(202)</b>	<b>(204)</b>	<b>(206)</b>	<b>(208)</b>
Increase in Net Assets	2,272	3,733	4,221	4,591	5,086
Net Assets - Beginning of Year	73,879	76,151	79,884	84,105	88,696
<b>Net Assets - End of Year</b>	<b>\$ 76,151</b>	<b>\$ 79,884</b>	<b>\$ 84,105</b>	<b>\$ 88,696</b>	<b>\$ 93,782</b>

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

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA, INCORPORATED AND ITS  
CONSOLIDATED AFFILIATE**  
**FORECASTED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDING SEPTEMBER 30,**  
**(In Thousands of Dollars)**

	2019	2020	2021	2022	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Increase in Net Assets	\$ 2,272	\$ 3,733	\$ 4,221	\$ 4,591	\$ 5,086
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:					
Depreciation	3,447	3,650	3,835	4,025	4,220
Amortization of Deferred Revenue from Advance Fees	(1,900)	(1,919)	(1,938)	(1,957)	(1,977)
Amortization of Deferred Issuance Costs	74	74	74	74	74
Advance Fees Received	1,892	1,911	1,930	1,949	1,969
Advance Fees Refunded	(335)	(338)	(342)	(345)	(348)
(Increase) Decrease in Current Assets					
Accounts Receivable	167	(127)	(56)	(47)	(54)
Contributions Receivable	(10)	(17)	(7)	(6)	(7)
Prepaid Expenses and Other Current Assets	(257)	(42)	(26)	(25)	(26)
Increase (Decrease) in Current Liabilities					
Accounts Payable	37	30	18	18	18
Accrued Expenses	33	25	16	14	16
Accrued Employee Compensation	39	92	58	55	58
Other Current Liabilities	25	4	3	2	3
Net Cash Provided by Operating Activities	5,484	7,076	7,786	8,348	9,032
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Increase in Investments	(1,148)	(2,098)	(2,846)	(3,251)	(3,734)
Increase in Assets Limited as to Use	(35)	(192)	(195)	(203)	(207)
Acquisition of Property and Equipment	(1,236)	(1,273)	(1,311)	(1,351)	(1,391)
Net Cash Used in Investing Activities	(2,419)	(3,563)	(4,352)	(4,805)	(5,332)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Principal Payments on Long-Term Debt	(2,843)	(2,963)	(3,088)	(3,219)	(3,354)
Net Cash Used in Investing Activities	(2,843)	(2,963)	(3,088)	(3,219)	(3,354)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>222</b>	<b>550</b>	<b>346</b>	<b>324</b>	<b>346</b>
Cash and Cash Equivalents - Beginning of Year	8,000	8,222	8,772	9,118	9,442
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 8,222</b>	<b>\$ 8,772</b>	<b>\$ 9,118</b>	<b>\$ 9,442</b>	<b>\$ 9,788</b>
Supplementary Disclosure: Interest Paid During the Year	\$ 1,492	\$ 1,372	\$ 1,246	\$ 1,116	\$ 980

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

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA, INCORPORATED AND ITS  
CONSOLIDATED AFFILIATE  
FORECASTED CONSOLIDATED BALANCE SHEETS  
AT SEPTEMBER 30,  
(In Thousands of Dollars)**

	2019	2020	2021	2022	2023
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 8,222	\$ 8,772	\$ 9,118	\$ 9,442	\$ 9,788
Accounts Receivable, Net	1,047	1,174	1,230	1,277	1,331
Investments	47,326	49,424	52,270	55,521	59,255
Contributions Receivable	140	157	164	170	177
Prepaid Expenses and Other Assets	628	670	696	721	747
Total Current Assets	57,363	60,197	63,478	67,131	71,298
<b>ASSETS LIMITED AS TO USE</b>					
Internally Designated for Capital Development	854	854	854	854	854
Internally Designated for Statutory Operating Reserve	7,752	7,944	8,139	8,342	8,549
Externally Restricted Under Debt Agreements	3,108	3,108	3,108	3,108	3,108
Total Assets Limited as to Use	11,714	11,906	12,101	12,304	12,511
<b>INVESTMENTS AND OTHER ASSETS</b>					
Investments Under Split-Interest Agreements:					
Charitable Remainder Trusts	1,052	1,052	1,052	1,052	1,052
Beneficial Interest in Perpetual Trust	7,085	7,085	7,085	7,085	7,085
Other Assets	73	73	73	73	73
Total Investments and Other Assets	8,210	8,210	8,210	8,210	8,210
<b>PROPERTY AND EQUIPMENT, NET</b>					
	46,882	44,505	41,981	39,307	36,478
Total Assets	\$ 124,169	\$ 124,818	\$ 125,770	\$ 126,952	\$ 128,497
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Current Maturities of Long-Term Debt	\$ 2,963	\$ 3,088	\$ 3,219	\$ 3,354	\$ 3,496
Accounts Payable	439	469	487	505	523
Accrued Expenses	377	402	418	432	448
Accrued Employee Compensation	1,381	1,473	1,531	1,586	1,644
Other Current Liabilities	63	67	70	72	75
Current Portion of Refundable Advance Fees	155	155	155	155	155
Total Current Liabilities	5,378	5,654	5,880	6,104	6,341
<b>LONG-TERM DEBT, LESS CURRENT MATURITIES, NET OF ISSUANCE COSTS</b>					
	30,139	27,125	23,980	20,700	17,278
<b>DEFERRED REVENUE AND OTHER LIABILITIES</b>					
Deferred Revenue from Advance Fees	9,965	9,690	9,411	9,129	8,845
Refundable Advance Fees On Occupied Units, Net of Current Portion	2,536	2,465	2,394	2,323	2,251
Total Deferred Revenue and Other Liabilities	12,501	12,155	11,805	11,452	11,096
Total Liabilities	48,018	44,934	41,665	38,256	34,715
<b>NET ASSETS</b>					
Net Assets Without Donor Restrictions	50,843	54,778	59,203	64,000	69,294
Net Assets With Donor Restrictions	25,308	25,106	24,902	24,696	24,488
Total Net Assets	76,151	79,884	84,105	88,696	93,782
Total Liabilities and Net Assets	\$ 124,169	\$ 124,818	\$ 125,770	\$ 126,952	\$ 128,497

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

## Summary of Significant Forecast Assumptions and Accounting Policies

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### BACKGROUND AND INFORMATION

#### Basis of Presentation

This financial forecast presents, to the best of management's ("Management") knowledge and belief, the Baptist Retirement Homes of North Carolina, Incorporated (the "Homes") and its consolidated affiliate, Baptist Retirement Homes Foundation (the "Foundation") (collectively, the "Organization"), expected consolidated balance sheets, statements of operations and changes in net assets and cash flows as of September 30, 2019, 2020, 2021, 2022, and 2023 and for each of the years then ending.

Accordingly, the forecast reflects Management's judgment as of February 20, 2019, the date of this forecast, of the expected conditions and its expected course of action during the forecast period. The financial forecast is based on Management's assumptions concerning future events and circumstances. The assumptions disclosed herein are those that Management believes are significant to the forecast or are key factors upon which the financial results of the Organization depend.

There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected and those differences may be material. Management does not intend to revise this forecast to reflect changes in present circumstances or the occurrence of unanticipated events.

#### Background of the Organization

Homes is a church-related, not-for-profit corporation organized under the laws of the state of North Carolina. Baptist Retirement Homes of North Carolina, Incorporated is governed by a Board of Trustees. The Board of Trustees nominates and elects its own members, each serving a four-year term. All Trustees must be members of North Carolina Baptist churches. The Homes has a historical relationship with the Baptist State Convention. The Baptist State Convention has no ascending liability for the Homes.

The Foundation was established primarily to raise funds for the benevolent ministries of the Homes.

The board members of the Foundation are appointed by and serve at the pleasure of the Board of Trustees of Homes.

Homes owns, maintains, and operates facilities throughout North Carolina for the purpose of providing for the care of older adults. The facilities consist of independent living homes and apartments, and freestanding and combination facilities that include assisted living residences and skilled and intermediate nursing care rooms. Homes receives direct support from North Carolina Baptist churches, special church offerings, grants from foundations and through gifts and bequests from individuals and businesses to assist with capital projects and the benevolent ministries of the Homes.

#### Principles of Consolidation

The forecasted consolidated financial statements include the accounts of the Homes and the Foundation. All material related party balances and transactions have been eliminated in consolidation.

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

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### **BACKGROUND AND INFORMATION (CONTINUED)**

#### **The Homes' Facilities**

**Brookridge Retirement Community:** Brookridge Retirement Community (Brookridge) is a continuing care retirement community located on a 44-acre tract of land on Bethabara Road in Winston-Salem, North Carolina. The community consists of 137 independent living units, 26 adult care home residences, 10 memory-enhanced residences, and a 77-unit nursing care center. Brookridge also contains the following support facilities: administrative offices, a bank, a chapel, a multi-purpose room, arts and crafts rooms, a library, a guestroom, physical therapy rooms, recreation areas, dining rooms, a cafe, beauty/barber shops, a convenience store, a mail area, parlors, pool and exercise area, a kitchen, and several areas for environmental services, maintenance and laundry. The facility originally opened in 1989, with additions made in 1998, 1999, 2001, 2006 and 2012-2014.

**The Gardens of Taylor Glen Retirement Community:** The Gardens of Taylor Glen Retirement Community (Gardens) is a continuing care retirement community that opened in November 2002. It is located on a 134-plus-acre tract of land located in Concord, North Carolina. The community consists of 125 independent living apartments, 12 adult care home residences, 12 memory-enhanced residences, and 24 nursing care beds. The Gardens also incorporates the following support facilities: administrative offices, a bank, a chapel, a multi-purpose room, a swimming pool, an exercise area, arts and crafts rooms, a wood-working shop, a library, a guest cottage, physical therapy rooms, recreation/social areas to include a lake and walking paths, dining areas, beauty/barber shops, a convenience store, a mail area, parlors, a cafe, a kitchen, a training area for health care employees, and several areas for environmental services, maintenance and laundry.

**Taylor House:** The Taylor House (Taylor) is a 30-bed adult care home residence located on a 3-acre tract of land on Palmer Street in Albemarle, North Carolina. It was opened for service to its first resident in 1953.

**Western North Carolina Baptist Home:** The Western North Carolina Baptist Home (Western) is a combination facility with 42 adult care home residences, 8 memory-enhanced residences, and 100 nursing care beds located on a 22-acre tract of land on Richmond Hill in Asheville, North Carolina. It was opened for services to its first residents in April 1979. A 100-bed Medicare/Medicaid certified nursing care center (the Rickman Center) opened in February 1993. A special residence for older adults with dementia was opened in August 2003.

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

### **BACKGROUND AND INFORMATION (CONTINUED)**

The following table shows the current unit configurations for each of the Homes' facilities.

<b>Table 1</b>				
<b>Homes</b>				
<b>Unit Configuration</b>				
	Brookridge	Gardens	Taylor	Western
<b>Independent Living Units:</b>				
Studio	11	-	-	-
One Bedroom	49	36	-	-
Two Bedroom	31	89	-	-
Garden Homes, Single Units	4	-	-	-
Garden Homes, Duplex	42	-	-	-
<b>Total Independent Living Units</b>	<b>137</b>	<b>125</b>	<b>-</b>	<b>-</b>
<b>Assisted Living Units:</b>				
Traditional Residence	26	12	30	42
Memory-Enhanced Residence	10	12	-	8
<b>Total Assisted Living Units</b>	<b>36</b>	<b>24</b>	<b>30</b>	<b>50</b>
<b>Total Nursing Units</b>	<b>77</b>	<b>24</b>	<b>-</b>	<b>100</b>
<b>Total Units</b>	<b>250</b>	<b>173</b>	<b>30</b>	<b>150</b>

Source: Management

# *Summary of Significant Forecast Assumptions and Accounting Policies*

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## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Presentation**

The Organization classifies its funds for accounting and reporting purposes as either without donor restrictions or with donor restrictions:

#### **Net Assets without Donor Restrictions**

Resources of the Organization that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations, undesignated gifts, and the investment in property and equipment.

#### **Net Assets with Donor Restrictions**

Included in net assets with donor restrictions are those resources that carry a donor-imposed restriction that permits the Organization to use or expend the donated assets as specified for which the restrictions are satisfied by the passage of time or by actions of the Organization. As those restrictions are met, the contributions are released from net assets with donor restrictions and are transferred to net assets without donor restrictions. Those resources for which the restrictions are met in the same fiscal year in which they are received are included in net assets without donor restrictions. In addition, included in net assets under donor restrictions are those resources that carry a donor-imposed restriction that stipulates that donated assets be maintained in perpetuity, but may permit the Organization to use or expend part or all of the income derived from the donated assets.

### **Cash and Cash Equivalents**

Cash equivalents are defined as short-term, highly liquid investments with an original maturity of three months or less from the date of acquisition which are not included in assets limited as to use or investments.

### **Accounts Receivable**

The Organization records accounts receivable at the total unpaid balance. The Organization determines past due status based on the billing dates, and does not charge interest on overdue accounts. The Organization imposes a \$50 per month late fee. Accounts receivable that management determines will be uncollectible are written off upon such determination.

### **Contributions Receivable**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at their present values. Conditional promises to give are not included as support until the conditions are substantially met.

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

Assets limited as to use include amounts set aside to meet the operating reserve requirements of North Carolina General Statute Chapter 58, Article 64 as well as amounts held by Trustees under a term loan agreement. In addition, assets limited as to use include amounts held for future capital expenditures. The Board retains control over amounts held for future capital expenditures and may, at its discretion, subsequently use them for other purposes. The statutory operating reserve balance can only be released upon the submittal of a detailed request and approval of the Commissioner of the North Carolina Department of Insurance.

### **Investments**

Investments in debt and equity securities are measured at fair value based on quoted market prices. Donated investments are reported at fair value at the date of receipt. All unrealized gains and losses on investments are excluded from excess (deficit) of revenues over (under) expenses.



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

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### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Investment income (including realized gains and losses on investments, interest and dividends) is included in operating profit unless restricted by donor or law.

#### **Assets in Split-Interest Agreements**

The Organization is a beneficiary to several irrevocable split-interest agreements. These split-interest agreements are categorized as charitable remainder trusts and beneficial interests in perpetual trusts, both of which are included in net assets with donor restrictions. Assets in split-interest agreements are stated at fair value net of discounted future contractual payment obligations.

#### **Property and Equipment**

Property and equipment are recorded at cost or, if donated, at market value at date of contribution. Depreciation is computed over the estimated useful lives of the related assets, ranging from 5 to 31.5 years, using the straight-line method. All additions are depreciated beginning on the date of acquisition.

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

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

#### **Deferred Costs**

Financing costs relative to the permanent financing of the Homes have been deferred and will be amortized over the term of the respective loans. Deferred financing costs are presented as a reduction of the related borrowings and the amortization is presented as a component of interest expense.

#### **Deferred Revenue from Advance Fees**

Advance fees paid by a resident, net of the estimated portion that is refundable to the resident, are recorded as deferred revenue and are amortized into income using the straight-line method over the estimated remaining life expectancy of the resident. Advance fees are refundable pro-rata over the first 24 or 60 months of residency depending on the contract type.

#### **Obligation to Provide Future Services**

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

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

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### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Increase in Net Assets Without Donor Restrictions from Operations**

The forecasted consolidated statements of operations and changes in net assets include increase in net assets without donor restrictions from operations. Changes in net assets without donor restrictions that are excluded from the increase in net assets without donor restrictions from operations, consistent with industry practice, include unrealized gains and losses on investments in trading securities, gains and losses from sales of property and equipment, and contributions of long-lived assets (including assets acquired using contributions that by donor restriction were to be used for the purposes of acquiring such assets).

#### **Net Resident and Health Care Service Revenue**

Net resident service revenue is reported at the estimated net realizable amounts due from patients, third-party payers, and others for services rendered, including estimated retroactive revenue adjustments due to future audits, reviews and investigations.

#### **Income Taxes**

Homes and Foundation are not-for-profit organizations that are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

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

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### **MANAGEMENT'S BASIS FOR FORECAST OF REVENUE**

Revenue for the Organization is generated primarily from monthly service fees for the independent living units, amortization of entrance fees, and monthly service fees and per diem charges from the assisted living and nursing residents.

Revenue for the independent living units is based on the monthly service fees assumed by Management to be charged to the residents and the assumed utilization of the independent living units. Health care revenues consist of funds generated from services provided to residents transferring from the independent living units, and those services provided to residents admitted directly to the Health Center.

Management's forecasted occupancy assumptions are presented in Table 2.

### **Health Center Free Days**

At the date of occupancy, each resident whose residence is in independent living at Gardens or Brookridge, is granted 30 Health Center Free Days (Free Days). Free Days are non-transferable, must be used only as defined in the Resident Agreements and in Corporate policy, and have no value if not used. No new Free Days are granted after the resident moves to either assisted living or nursing, collectively the Health Center. Free Days will not be applied if the resident is receiving Medicare benefits.

For each day a resident occupies or holds an accommodation in the Health Center, whether or not that accommodation is the primary residence, Free Days will be credited until all such accumulated days are used. When Free Days are exhausted, the resident will be charged the private pay rate for their Health Center unit. While the resident uses Free Days, service fees continue based on the independent living residence from which the resident moved or transferred, and the resident will be charged for medicines, physician's services, and for supplies not normally included in the base fee for Health Center services.

The 30 Free Days benefit is not available for residents who were admitted directly to the Health Center.

### **Forecasted Occupancy Levels**

Forecasted occupancy for the Organization's independent living units is based upon the historical experience of Management.

Occupancy of the assisted living units and nursing beds are forecasted to be primarily from transfers from independent living units for Brookridge and Gardens. Nursing bed occupancy for Gardens is based primarily on internal transfers primarily from both independent living units and assisted living units. Nursing bed occupancy for Brookridge is based primarily on internal transfers from both independent living units and assisted living units, as well as direct and short-term rehabilitation admissions. Forecasted resident transfers from independent living to assisted living or nursing have been provided by Management, and are based on historical experience.

Occupancy of the assisted living units and nursing beds for the Taylor and Western campuses has been provided by Management, and is based on historical experience.

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

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### **MANAGEMENT'S BASIS FOR FORECAST OF REVENUE (CONTINUED)**

The following table shows forecasted occupancy for each of the Homes' facilities for the forecast period, as forecasted by Management based on historical experience and based on a revamped marketing program and staff additions that are expected to positively impact marketing and sales activities.

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**Table 2**  
**Homes**  
**Forecasted Occupancy**

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	2019	2020	2021	2022	2023
Brookridge					
Independent Living Units	63.2%	71.7%	74.0%	76.0%	78.0%
Assisted Living Units	89.9%	93.3%	95.0%	95.0%	95.0%
Nursing Units	79.3%	81.9%	84.4%	85.7%	88.3%
Gardens:					
Independent Living Units	72.2%	75.8%	78.4%	80.0%	82.4%
Assisted Living Units	85.7%	95.0%	95.0%	95.0%	95.0%
Nursing Units	63.9%	77.9%	82.0%	85.0%	87.0%
Taylor:					
Assisted Living Units	61.0%	65.3%	65.3%	65.3%	65.3%
Western:					
Assisted Living Units	64.3%	79.5%	82.0%	84.0%	86.0%
Nursing Units	55.1%	62.9%	65.0%	67.0%	69.0%

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Source: Management

The forecasted double occupancy percentages in the independent living units of Gardens and Brookridge are approximately 22 percent and 30 percent, respectively, based upon assumptions provided by Management.

## Summary of Significant Forecast Assumptions and Accounting Policies

### MANAGEMENT'S BASIS FOR FORECAST OF REVENUE (CONTINUED)

#### Forecasted Entrance and Monthly Service Fees

The following tables summarize the entrance fees, monthly service fees and daily rates for the Organization's facilities. Note that these fees became effective for the fiscal year 2019.

Management assumes that all units sold are under the Standard zero percent Refund Plan, based on historical experience.

**Table 3**  
**Homes**  
**Monthly Fees / Daily Fees - 2019**

	Brookridge	Gardens	Taylor	Western
Independent Living Units (Monthly Rates):				
Single Rates:				
Studio	\$ 1,400	\$ -	\$ -	\$ -
One Bedroom	1,815	1,954	-	-
One Bedroom, Deluxe	-	2,259	-	-
Two Bedrooms	2,241	3,273	-	-
Two Bedrooms, Deluxe	2,820	3,617	-	-
Two Bedrooms, Classic	2,465	3,773	-	-
Garden Homes, Single Unit	2,820	-	-	-
Garden Homes, Duplex	2,562	-	-	-
Second Person Fees	780-808	642-742	-	-
Assisted Living Units (Monthly Rates):				
Large Room	\$ -	\$ -	\$ 2,772	\$ -
Regular Room	5,261	4,774	2,677	4,115
Regular Room, Entrance Fee	4,439	-	-	-
Suites	7,324	-	4,290	6,583
Memory-Enhanced Residence	6,558	6,147	-	6,091
Nursing Beds (Daily Rates):				
Semi-Private	\$ 262	\$ -	\$ -	\$ 263
Private	280	272	-	274

Source: Management

## Summary of Significant Forecast Assumptions and Accounting Policies

### MANAGEMENT'S BASIS FOR FORECAST OF REVENUE (CONTINUED)

Table 4  
Homes  
Entrance Fees – 2019

	Brookridge	Gardens	Taylor	Western
Independent Living Units:				
Studio	\$ 40,967	\$ -	\$ -	\$ -
One Bedroom	64,835	44,000	-	-
One Bedroom, Deluxe	-	79,000	-	-
Two Bedrooms	86,104	109,595	-	-
Two Bedrooms, Deluxe	154,805	140,072	-	-
Two Bedrooms, Classic	93,421	169,901	-	-
Garden Homes, Single Unit	153,286	-	-	-
Garden Homes, Duplex	99,936	-	-	-
Second Person Fees	14,179-15,983	-	-	-
Assisted Living Units:				
Large Room	\$ -	\$ -	\$ -	\$ -
Regular Room	-	30,000	-	-
Suites	-	-	-	-
Memory-Enhanced Residence	-	38,000	-	-
Nursing Beds:				
Semi-Private	\$ -	\$ -	\$ -	\$ -
Private	-	-	-	-

Source: Management

## Summary of Significant Forecast Assumptions and Accounting Policies

### MANAGEMENT'S BASIS FOR FORECAST OF REVENUE (CONTINUED)

The following table reflects forecasted rate increases. Increases in fees are generally anticipated to approximate increases in operating expenses during the forecast period. However, fee increases may be adjusted to reflect actual changes in expenses.

**Table 5**  
**Homes**  
**Forecasted Rate Increases\***

	2019	2020	2021	2022	2023
Independent Living Monthly					
Fee Increases	**	3%	3%	3%	3%
Entrance Fee Increases	**	1%	1%	1%	1%
Assisted Living Rate					
Increases	**	3%	3%	3%	3%
Nursing Rate Increases					
Private	**	3%	3%	3%	3%
Medicare	**	1%	1%	1%	1%
Medicaid	**	0%	0%	0%	0%

Source: Management

\* Annual pricing increases are effective on October 1 of the fiscal year.

\*\* The 2019 pricing is noted in the two preceding tables.

### Entrance Fee Receipts

Entrance fee receipts and refunds are based on information provided by Management based on historical experience. The following table reflects entrance fees received and refunds paid during the forecast period for the Organization, as forecasted by Management.

**Table 6**  
**Homes Forecasted Entrance Fee Receipts, Net of Refunds**  
**(In Thousands of Dollars)**

	2019	2020	2021	2022	2023
Advance Fees from Turnover	\$ 1,892	\$ 1,911	\$ 1,930	\$ 1,949	\$ 1,969
Advance Fees Refunded	(335)	(338)	(342)	(345)	(348)
<b>Total Advance Fees, Net</b>	<b>\$ 1,557</b>	<b>\$ 1,573</b>	<b>\$ 1,589</b>	<b>\$ 1,604</b>	<b>\$ 1,620</b>

Source: Management

### Investment Income

Investment income consists of interest earnings on cash, cash equivalents, investments, and assets limited as to use, as provided by Management. Management has assumed investment returns on certain assets as noted in Table 7. Management does not forecast unrealized gains or losses.

## Summary of Significant Forecast Assumptions and Accounting Policies

### MANAGEMENT'S BASIS FOR FORECAST OF REVENUE (CONTINUED)

The following table reflects Management's assumed realized (net of expenses) investment earning rates during the Forecast Period for funds invested by the Organization.

**Table 7**  
**Forecasted Investment Earning Rates**

	2019	2020	2021	2022	2023
Cash and Cash Equivalents	1.00%	1.00%	1.00%	1.00%	1.00%
Investments	5.00%	5.00%	5.00%	5.00%	5.00%
Assets Limited as to Use	4.00%	4.00%	4.00%	4.00%	4.00%

Source: Management

#### Other Revenue Items

Management forecasts gifts based upon past experience. For fiscal year 2019, Management forecasts that income from gifts will be approximately \$1,090,000 and Management has assumed a 1.0 percent increase throughout the forecast period.

Management forecasts net assets released from restrictions based upon past experience. For fiscal year 2019, Management forecasts that \$800,000 of net assets with donor restrictions will be released for operations and Management has assumed a 1.0 percent increase throughout the forecast period.

Other revenue items include food service income from additional meals, guest meals, guest house, catering, etc., for the Organization. Management assumes that charges for other revenues will increase approximately 3.0 percent annually throughout the forecast period. Additionally, income from grants, estates and trusts is forecasted to increase approximately 3.0 percent annually throughout the forecast period.



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

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### **MANAGEMENT'S BASIS FOR FORECAST OF OPERATING EXPENSES**

#### **Operating Expenses**

Operating expenses are forecasted to increase at an approximate 2.85 percent blended rate annually throughout the periods presented in the forecast. Management has forecasted operating expenses based upon Management's operating plans, as well as historical operations and the estimated effect of inflation.

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

#### **Salaries and Related Benefits**

Salaries are forecasted to increase at a rate of 3.0 percent per annum throughout the forecast period.

Benefit costs include payroll taxes and employee benefits including FICA, unemployment taxes, workers' compensation, health insurance, retirement plan, incentives and other miscellaneous benefits for the entire facility. These benefit costs are assumed to increase at a rate of 3.0 percent during the forecast period, based on Management's historical experience.

#### **Resident and Health Care**

Nonsalary related costs of resident health care include costs for care and support of residents. These costs are anticipated to increase annually at 3.0 percent throughout the forecast period for inflation, based on historical operating experience. These costs include activities and other similar costs.

#### **Dietary**

Nonsalary related costs of the food service include costs for raw food and dietary supplies and other such costs and are based on the historical operating experience of Management. Management forecasts that these costs would increase at approximately 2.5 percent annually for inflation.

#### **Maintenance, Housekeeping and Laundry**

Nonsalary related costs in these departments include housekeeping, laundry, and all activities of maintenance for the campus. Management assumes that these costs would increase at approximately 3.0 percent annually throughout the forecast period for inflation, based on historical operating experience.

#### **General and Administrative**

Nonsalary related costs of general and administrative include costs for supplies, professional fees, insurance, and other miscellaneous costs. Management forecasts that annual inflation would approximate 2.5 percent for these costs, based on historical operating experience.

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

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### **MANAGEMENT'S BASIS FOR FORECAST OF OTHER ITEMS**

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

A narrative description of the assets limited as to use follows:

#### **Internally Designated for Capital Development**

The Board has designated certain amounts to be held for future capital requirements.

#### **Internally Designated for Statutory Operating Reserve**

Section 58-64-33 of the General Statutes of North Carolina, as amended, requires that all continuing care facilities maintain operating reserves equal to 50 percent of the total operating costs (as defined in Section 58-64-33) (or 25 percent of the total operating costs if such facilities maintain an occupancy level in excess of 90 percent and the North Carolina Commissioner of Insurance so approves) forecasted for the 12-month period following the period covered by the most recent annual statement filed with the North Carolina Department of Insurance. Such operating reserves may only be released upon approval of the North Carolina Commissioner of Insurance.

## Summary of Significant Forecast Assumptions and Accounting Policies

### MANAGEMENT'S BASIS FOR FORECAST OF OTHER ITEMS (CONTINUED)

The following reflects the operating reserve requirements, as forecasted by Management:

<b>Table 8</b>							
<b>Forecasted Operating Reserve Requirements</b>							
<b>Brookridge</b>	2019	2020	2021	2022	2023	2024	
Total Operating Expenses <sup>(1)</sup>	\$ 11,280	\$ 11,553	\$ 11,820	\$ 12,094	\$ 12,374	\$ 12,660	
Include:							
Bond Principal Payments	1,031	1,064	1,110	1,158	1,208	1,260	
Exclude:							
Depreciation and Amortization	(1,566)	(1,656)	(1,738)	(1,822)	(1,908)	(1,997)	
Debt Service Portion, if provided for by way of a separate reserve account	(497)	(497)	(497)	(497)	(497)	(497)	
Total Operating Costs	\$ 10,247	\$ 10,464	\$ 10,695	\$ 10,932	\$ 11,176	\$ 11,425	
Operating Reserve Percentage	50%	50%	50%	50%	50%	50%	
Operating Reserve at 9/30	\$ 5,232	\$ 5,348	\$ 5,466	\$ 5,588	\$ 5,713		
Forecasted Occupancy Level <sup>(2)</sup>	68.7%	76.2%	78.4%	79.9%	81.6%		
<hr/>							
<b>Gardens</b>	2019	2020	2021	2022	2023	2024	
Total Operating Expenses <sup>(1)</sup>	\$ 7,006	\$ 7,155	\$ 7,299	\$ 7,447	\$ 7,597	\$ 7,752	
Include:							
Bond Principal Payments	1,798	1,854	1,931	2,012	2,096	2,183	
Exclude:							
Depreciation and Amortization	(1,343)	(1,420)	(1,491)	(1,563)	(1,637)	(1,714)	
Debt Service Portion, if provided for by way of a separate reserve account	(2,549)	(2,549)	(2,549)	(2,549)	(2,549)	(2,549)	
Total Operating Costs	\$ 4,911	\$ 5,040	\$ 5,191	\$ 5,347	\$ 5,507	\$ 5,672	
Operating Reserve Percentage	50%	50%	50%	50%	50%	50%	
Operating Reserve at 9/30	\$ 2,520	\$ 2,596	\$ 2,673	\$ 2,754	\$ 2,836		
Forecasted Occupancy Level <sup>(2)</sup>	74.4%	78.9%	81.1%	82.4%	84.4%		

Source: Management

Notes:

(1) Total operating expenses include all line items as presented on the consolidated statements of operations and changes in net assets for the respective community.

(2) The Occupancy noted above is the weighted year-to-date average of independent living and assisted living occupants.

#### Externally Restricted Under Debt Agreements

These represent assets that are held by the Trustee under a term loan agreement.

## Summary of Significant Forecast Assumptions and Accounting Policies

### MANAGEMENT'S BASIS FOR FORECAST OF OTHER ITEMS (CONTINUED)

#### Property and Equipment

Property and equipment balances, net of accumulated depreciation, were forecasted based on anticipated property and equipment additions during the forecast period, reduced by estimated annual depreciation.

Management has forecasted the following major property and equipment categories:

**Table 9**  
**Forecasted Property and Equipment Major Categories**  
**(In Thousands of Dollars)**

	2019	2020	2021	2022	2023
Land and Land Improvements	\$ 7,054	\$ 7,054	\$ 7,054	\$ 7,054	\$ 7,054
Buildings and Improvements	90,226	90,735	91,259	91,799	92,355
Furniture, Fixtures, and Equipment	6,071	6,835	7,622	8,433	9,268
Vehicles	729	729	729	729	729
Total	104,080	105,353	106,664	108,015	109,406
Less: Accumulated Depreciation	(57,727)	(61,377)	(65,212)	(69,237)	(73,457)
Add: Construction in Process	529	529	529	529	529
Net Property and Equipment	\$ 46,882	\$ 44,505	\$ 41,981	\$ 39,307	\$ 36,478

Source: Management

#### Assets in Split-Interest Agreements

Management has not forecasted any gains or losses arising from changes in the value of assets in split-interest agreements.

#### Long-Term Debt and Interest Expense

Forecasted interest expense and long-term debt for 2019 and subsequent years were based on the construction loan and the commercial loan associated with the improvements at Brookridge.

In 2013, the Homes entered into a Term Loan Agreement for \$34,650,000 to refinance North Carolina Medical Care Commission term bonds outstanding. The Homes is responsible for monthly payments consisting of interest and principal through maturity in February 2028 in the amount of \$259,000. The Term Loan carries an interest rate of 4.1 percent.

Management made draws under a Construction and Permanent Loan Agreement that closed in 2012 for the purpose of improvements at the Homes' Brookridge Retirement Community. The total amount financed was \$16,018,000. The financing required interest-only payments until March 2013 when the Homes began making principal payments on this loan. The Homes is responsible for making monthly payments consisting of interest and principal through maturity in February 2027 in the amount of \$100,100. The loan carries a fixed interest rate of 4.28 percent over a 15-year term, based on a 20-year amortization.

## Summary of Significant Forecast Assumptions and Accounting Policies

### MANAGEMENT'S BASIS FOR FORECAST OF OTHER ITEMS (CONTINUED)

Forecasted principal payments on the Organization's debt are as follows:

**Table 10**  
**Homes**  
**Forecasted Principal Payments on the Organization's Debt**  
**(In Thousands of Dollars)**

Year Ending September 30,	Construction Loan	Term Loan	Total Debt
2019	\$ 673	\$ 2,170	\$ 2,843
2020	703	2,260	2,963
2021	733	2,355	3,088
2022	765	2,454	3,219
2023	799	2,555	3,354
2024	833	2,663	3,496
2025	870	2,774	3,644
2026	908	2,890	3,798
Thereafter	6,361	3,761	10,122
<b>Total Forecasted Long-Term Debt</b>	<b>\$ 12,645</b>	<b>\$ 23,882</b>	<b>\$ 36,527</b>

Source: Management

#### Current Assets and Current Liabilities

##### Cash and Cash Equivalents

Cash and cash equivalents balances for the forecast period are forecasted to approximate 131 days of cash on hand during the forecast period.

##### Net Accounts Receivable

Net accounts receivable is forecasted based on historical levels throughout the forecast period.

##### Contributions Receivable

Contributions receivable is forecasted based on historical levels throughout the forecast period.

##### Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets have been forecasted based on historical levels.

##### Accounts Payable

Accounts payable has been forecasted based on historical levels.

##### Accrued Expenses

Accrued expenses have been forecasted based on historical levels, with the exception of accrued interest. Accrued interest has been calculated based on forecasted interest rates and repayment terms of the Organization.

*Summary of Significant Forecast Assumptions and Accounting Policies*

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**MANAGEMENT'S BASIS FOR FORECAST OF OTHER ITEMS (CONTINUED)**

Accrued Employee Compensation

Accrued employee compensation has been forecasted based on historical levels.

Other Current Liabilities

Other current liabilities have been forecasted based on historical levels.

# **ATTACHMENT IV**

## **Apartment Resident Agreement – Independent Living Apartments**

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA, INCORPORATED**

**APARTMENT RESIDENT AGREEMENT  
GARDENS OF TAYLOR GLEN RETIREMENT COMMUNITY**

THIS AGREEMENT, made in Concord, Cabarrus County, North Carolina between Baptist Retirement Homes of North Carolina, Incorporated, a nonprofit corporation duly organized under the laws of the State of North Carolina, hereinafter referred to as "Baptist Homes," and \_\_\_\_\_ hereinafter referred to as Resident, and \_\_\_\_\_, hereinafter referred to as "Responsible Party." (If more than one person who will be a resident enters into this Agreement, the word "Resident" as used herein shall include both of them unless otherwise stated.)

Resident has applied and been approved, subject to the terms of this Agreement, for admission to an Independent Living Apartment Home (the "Apartment Home") at Gardens of Taylor Glen Retirement Community, in Concord, North Carolina ("Taylor Glen"), a continuing care retirement community which consists of Independent Living Apartment Homes, Assisted Living Apartments and Nursing Care Beds.

All of the terms and conditions of this Residency Agreement are necessary for the comfort and security of the residents of Taylor Glen and for the proper operation of a retirement facility. All the terms and conditions have been fully agreed upon by the parties.

Therefore, in consideration of the payment of the deposit defined below, and in further consideration of the mutual covenants and agreements herein cited, Baptist Homes, Resident and Responsible Party, the sufficiency of said consideration being hereby acknowledged, agree as follows:

1. Resident shall pay to Baptist Homes the sum of \$\_\_\_\_\_ as an Entrance Fee for Apartment # \_\_\_\_\_, in the following manner:
  - a. Ten percent upon execution of this Agreement by Resident, including a one thousand dollar (\$1,000.00) credit for the reservation fee, if any, previously paid.
  - b. Balance of \$\_\_\_\_\_ to be paid either (i) in full not less than thirty (30) days prior to the "date of occupancy" as described in Paragraph 2, or (ii) by execution and delivery of a Promissory Note as more fully provided in an Amendment to Apartment Resident Agreement that Baptist Homes may offer to Resident in Baptist Homes' sole discretion, provided however that Baptist Homes shall not offer such option if five (5) or more current residents of Taylor Glen have executed such an Amendment to Apartment Resident Agreement and such a Promissory Note during the immediately preceding twelve (12) months.
2. In addition to the Entrance Fee, Resident agrees to pay a service fee of \$\_\_\_\_\_ per month, or such amount as may be established from time to



time by Baptist Homes. Payment of the monthly service fee shall begin on the Resident's "date of occupancy." The "date of occupancy" is either the date on which the Resident actually occupies the Apartment Home, or thirty (30) days after the Resident has been notified that the Apartment Home is available for occupancy, whichever shall first occur. The service fee for the first month shall be pro-rated and is payable prior to occupancy. Thereafter payments shall be made in advance on or before the fifth day of each month during the time that this Agreement is in force. Baptist Homes will provide sixty (60) days' written notice of any increase or decrease in the monthly service fee before the increase becomes effective.

3. For so long as Resident is capable of independent living (see Paragraphs 15 & 16) and complies with the terms of this Agreement, Resident may occupy solely for residential purposes the Apartment Home designated in Paragraph 1. In addition, Baptist Homes shall provide for Resident the following facilities and services:
  - a. UTILITIES: heat, electricity, air conditioning, telephone, and television outlets, water and sewer services, and trash disposal.
  - b. FURNISHINGS: carpeting, window covering, mini-blinds, electric range with hood, frost-free refrigerator, dishwasher, disposal, microwave, washer and dryer.
  - c. INSURANCE: fire, casualty, and extended coverage insurance adequate to allow it to repair or replace Taylor Glen in the event of fire or other casualty.
  - d. MEAL SERVICE: one meal each day to be served in the Independent Living Dining Room.
  - e. HEALTH SERVICE: If required by Resident's health status, a cumulative total of thirty (30) days residential care in the Nursing Care Center of Taylor Glen (without regard to any days fully covered by Medicare benefits or by a combination of Medicare and private insurance benefits), at no additional charge to Resident, during the term of this Agreement. This care, as appropriate, will be at either the Assisted Living level, or at the Nursing Care level. If for any reason such care is temporarily unavailable when required by the Resident, it will be provided at the expense of Baptist Homes at other comparable facilities. During provision of such care, Resident will be charged for medicines, physician's services, and for supplies not normally included in the base fee for such services. Resident will pay for residential health care services in excess of the thirty (30) day cumulative total provided by this Agreement at the rate established for such care by Baptist Homes at the time such care is required. All other medical care, services and supplies provided to Resident by Baptist Homes or others, will be at the Resident's expense.

The thirty (30) days will not be applied if the resident is receiving Medicare benefits.

- f. PRIORITY NURSING BEDS: In the event Resident requires residential health care services (Assisted Living or Nursing Care) at the Nursing Care Center, Resident will be given priority status and will be provided with the first available space appropriate to Resident's needs.
- g. MAINTENANCE: general maintenance of all common areas and grounds, and furnishings and equipment owned by Baptist Homes.
- h. PARKING: More than adequate parking is available to RESIDENTS in parking areas adjacent to all of the apartment buildings located on the Gardens of Taylor Glen campus. Every RESIDENT is guaranteed a parking place for his/her vehicle, and no fee is charged to the RESIDENT for that service. In addition to the above, there are six (6) covered parking places adjacent to each of the three (3) apartment buildings and one detached unit of six (6) covered parking spaces that can be rented on a monthly basis by members of the resident community.
- i. ACTIVITIES: Recreational, social, and religious activities and other life enrichment programs, as well as space and equipment to facilitate various hobbies and crafts.
- j. HOUSEKEEPING: Once weekly housekeeping (general vacuuming, dusting, and cleaning of bath) and weekly changes of white sheets and pillowcases.
- k. SCHEDULED TRANSPORTATION: scheduled transportation to local shopping areas, churches, and social activities.
- l. STAFF: Taylor Glen will be staffed at all times to be responsive to the needs of the Residents and to assist in case of emergencies.
- m. OPTIONAL SERVICES: Baptist Homes will make available to the Resident on an optional basis, upon payment of additional fees:
  - i. One or two additional meals per day in the central dining room;
  - ii. In case of temporary illness, tray service of meals in the Resident's Apartment;
  - iii. Additional maid or housekeeping services as required;
  - iv. Transportation to extra-curricular events and locations;
  - v. Beauty and barber services; and

vi. Transportation to medical appointments.

4. Resident agrees to abide by all rules and regulations Baptist Homes may establish from time to time.
5. The Resident's Application for Residency is attached to this Agreement as Exhibit A and incorporated by reference herein. Resident and Responsible Party represent and warrant that Exhibit A is true, complete and accurate in all material respects. Resident and Responsible Party further certify the continuing accuracy and completeness of the factual representations contained in the application. Resident and Responsible Party understand and agree that the representations contained in the Application for Residency, and in particular the financial representations, were made by Resident and Responsible Party to induce Baptist Homes to enter into this Agreement. Any material misrepresentations or omissions in the Application for Residency shall render this Agreement voidable or terminable, including to the extent permitted by law the right to terminate the Resident's residency, at the option of Baptist Homes.

In addition, Resident and Responsible Party shall provide Baptist Homes an accurate and complete financial statement during the month of January in the year following admission as a Resident, and during each subsequent January, or at such intervals as Baptist Homes may request, for so long as residency continues.

Resident and Responsible Party agree to prudently conserve and maintain Resident's current and future income, resources, and assets in order to provide for payment of services to be provided by Baptist Homes under this Agreement or otherwise. Responsible Party expressly agrees to provide payment for all fees or charges incurred under this Agreement from Resident's income, resources, or assets. Resident and Responsible Party agree to provide Baptist Homes thirty (30) days prior written notice of any material transfer of Resident's income, assets or resources (including the creation of any trust), any material expenditure of Resident's income, assets, or resources, or any change in Responsible Party. Resident and Responsible Party shall promptly notify Baptist Homes of any material change in Resident's medical or financial condition, including but not limited to Resident's qualification for and intent to seek assistance from any public assistance benefit program, as hereinafter defined. Resident and Responsible Party shall likewise promptly notify Baptist Homes of any change in Resident's Responsible Party.

Responsible Party further acknowledges and agrees that he or she will personally be subject to a claim of breach of contract and held liable for any resulting damage to Baptist Homes to the extent he or she participates in a breach of the covenant to prudently conserve and maintain Resident's income, assets, or resources or violates the covenant to provide prior written notice of a change in Resident's financial position or in the Responsible Party. In addition such breach by the Responsible Party of the covenant to prudently conserve or provide prior notice shall render this Agreement voidable or terminable, including to the extent

permitted by law the right to terminate the Resident's residency, at the option of Baptist Homes. Resident or Responsible Party, as the case may be, agrees to require any successor responsible party to become a party to this Agreement.

Upon verification satisfactory to Baptist Homes that Resident has complied with the foregoing obligations and that Resident's income, resources, and assets are insufficient to pay for services required, Baptist Homes will endeavor to provide financial assistance to Resident, by prudent use of finite funds available to it for such purposes. Baptist Homes has no legal obligation to provide such assistance and is unable to represent or guarantee with certainty that such assistance will be available to Resident. In any event, such assistance as may be available will be provided only after Resident has applied for and taken all necessary steps to qualify for Medicaid, public assistance, any public benefit program, or private funds or programs through which benefits ("public assistance benefits") may be available for payment of services required by Resident.

6. Resident, at Resident's expense, shall maintain Part A and B Medicare Insurance in addition to a supplemental policy. Health care provided under the terms of this Agreement is exclusive of that covered under Medicare or any other health care policies maintained by Resident. If Resident is ineligible for Medicare, Resident shall maintain equivalent health insurance in full force and effect, unless Resident demonstrates to Baptist Homes' satisfaction that Resident is financially able to pay for those services that otherwise would be paid for by Medicare. Resident shall take such action and execute such forms as are reasonably necessary to secure the payment to any hospital, nursing facility or other provider of health care services (including to Baptist Homes for services provided by it), or to any physician, of any and all amounts payable in respect of services rendered to Resident and for which insurance is available.
7. In the event Baptist Homes deems the Resident to be in need of emergency medical or surgical care requiring consent, and the Resident is unable to give consent, and attempts to contact Responsible Person or next of kin have failed, the Resident authorizes Baptist Homes to give such consent on the Resident's behalf. In such event, Baptist Homes shall use its best judgment under the circumstances and with the information then available. In the event that Baptist Homes exercises this authority to give or withhold consent, the Resident, and his or her heirs, estate and personal representative, release and hold harmless Baptist Homes and its agents for any exercise of this authority.
8. The rights and privileges of Resident under this Agreement to an Apartment Home, facilities, and services are personal to Resident and cannot be transferred or assigned by act of Resident or Responsible Party, or by any proceeding at law, or otherwise. Except for occasional brief visits, subject to Taylor Glen rules and regulations, no person other than Resident may occupy the Apartment Home designated by this Agreement except with the written approval of Baptist Homes. Baptist Homes may assign this Agreement to any person who shall become the

owner of Taylor Glen and who shall be appropriately licensed as necessary to perform this Agreement and who shall assume this Agreement in writing.

9. Should Resident desire to have another person live with him or her, advance written permission of Baptist Homes shall be required. Such permission, if granted, will be conditioned upon negotiation and execution of a new written Agreement acceptable to all parties. The other person shall have no rights or privilege under this Agreement.

The following two (2) sections offer a description of the refund provision for rescinded or cancelled contracts:

10. Termination Prior to Occupancy.

- a. After Resident's execution of this Agreement, but prior to occupancy, the following procedure for termination of this Agreement shall apply:
  - i. The party contracting with the provider may rescind the contract by giving written notice to Baptist Retirement Homes within thirty (30) days following the later of the execution of the agreement or the receipt of a disclosure statement. If such action is taken, the resident shall receive a full refund of any entrance fee paid. The resident is not required to move into the facility during the thirty (30) day automatic rescission period.
  - ii. If Resident for whatever reason terminates this Agreement by giving written notice to Baptist Homes within the first thirty (30) days after execution of this Agreement, Baptist Homes will refund all amounts paid on behalf of Resident.
  - iii. If Resident for whatever reason terminates this Agreement by giving written notice to Baptist Homes after the first thirty (30) days after execution of this Agreement, Baptist Homes will refund all amounts paid on behalf of Resident less five thousand dollars (\$5,000.00).
  - iv. If Resident dies before occupying a living unit in the facility, or if on account of illness, injury or incapacity, Resident would be precluded from occupying a living unit in the facility under the terms of the contract for continuing care, the contract is automatically canceled, and Baptist Homes will refund all amounts paid on behalf of Resident.
- b. Refunds pursuant to this Paragraph 10 shall be paid by Baptist Homes within sixty (60) days of termination.

11. Termination After Occupancy.

- a. Except as otherwise provided and after the thirty (30) day rescission period in Paragraph 11(c), after Resident first occupies the Apartment Home the following procedures for termination of this Agreement shall apply:
  - i. Resident may voluntarily terminate this Agreement by giving thirty (30) days' written notice to Baptist Homes; provided, however, that no termination pursuant to this Paragraph 11(a) shall be effective if Resident terminates this Agreement until the last day of the month in which the thirty (30) day notice period expires.
  - ii. If Resident voluntarily terminates this Agreement pursuant to Paragraph 11(a)(i), or if Resident dies after first occupying the Apartment Home, the Baptist Homes will refund an amount equal to the amortized remaining value of the Entrance Fee based on a sixty (60) month term. If Resident voluntarily terminates the Agreement or dies more than sixty (60) months after occupying the Apartment Home, no refund will be paid.
- b. Refunds pursuant to Paragraph 11(a) shall be paid by Baptist Homes when Resident's Apartment Home is occupied by another Resident or within two (2) years of termination, whichever event occurs sooner.
- c. Resident and Responsible Party agree that if Resident's spouse is also becoming a resident of Taylor Glen pursuant to a Resident Care Agreement with Baptist Homes with an Entrance Fee of \$-, in consideration of such \$- Entrance Fee and as additional consideration for this Agreement, the following procedures for termination of this Agreement shall apply:
  - i. Resident may voluntarily terminate this Agreement by giving thirty (30) days' written notice to Baptist Homes; provided, however, that no termination pursuant to this Paragraph 11(d) shall be effective if Resident terminates this Agreement until the last day of the month in which the thirty (30) day notice period expires.
  - ii. If Resident voluntarily terminates this Agreement pursuant to Paragraph 11(c)(i) or dies after first occupying the Apartment Home, the Baptist Homes will refund an amount equal to the amortized remaining value of the Entrance Fee based on a sixty (60) month term, provided that Resident's spouse has also died or voluntarily terminated his/her agreement with Baptist Homes in accordance with the terms of such agreement on or prior to Resident's date of death or voluntary termination of this Agreement. If Resident or Resident's spouse voluntarily

terminates his/her respective agreement with Baptist Homes or dies more than sixty (60) months after Resident first occupies his or her Apartment Home, no refund will be paid.

- d. Refunds pursuant to Paragraph 11(c) shall be paid by Baptist Homes when Resident's and his/her spouse's Room or Apartment Home is occupied by another Resident or within two (2) years of termination of the later of the Resident's or his/her spouse's agreement with Baptist Homes, whichever event occurs sooner.
12. Should Resident or Responsible Party fail for any reason to timely comply with any of the obligations assumed by Resident or Responsible Party pursuant to this Agreement, Baptist Homes will provide written notice of such failure and will attempt to work with Resident, Responsible Party, if any, Resident's family, or Resident's Personal Representative to achieve a consensual cure of such failure. If such cure is not achieved within thirty (30) days after written notice, however, Baptist Homes may at its option declare this Agreement canceled. Resident shall vacate the Apartment within thirty (30) days of receipt of notice of any such cancellation.
13. Baptist Homes shall have the right to remove and store all property from an Apartment Home which has been vacated or remaining following a termination of this Agreement. Resident, Responsible Party, or Resident's estate, as applicable, shall be responsible for the costs of such storage and/or moving.
14. When an Apartment Home is occupied by more than one person, all of whom have initially signed this Agreement, and one Resident dies, or moves from the Apartment Home and releases or relinquishes further occupancy rights, leaving one or more Residents remaining in the Apartment Home, no refund is payable at that time. In such a case, the remaining Resident shall have the option of retaining the same Apartment Home, receiving no refund on the Entrance Fee and paying the monthly service fee applicable to the number of persons then occupying that Apartment.
15. After Resident pays the ten percent (10%) deposit of Resident's Entrance Fee, if Resident becomes incapable of independent living, Resident's right to occupy an Independent Living Apartment Home in Taylor Glen shall terminate. Resident shall be entitled to priority space in the Health Care Center if Baptist Homes concludes that the facility provides the level of care Resident's condition requires at the Health Care Center's then current rates; however, the Resident shall not be required to pay an Entrance Fee for entry into the Health Care Center, unless Resident has not paid the full Entrance Fee under this Agreement in which case Resident must pay the balance of the applicable entrance fee to the appropriate Health Care Center. The right to make a determination of Resident's capability for independent living and the need for alternative care shall be vested solely in Baptist Homes. In making the determination, Baptist Homes shall take into account the Resident's physical and mental condition, the Resident's ability to

make a satisfactory social and behavioral adjustment to the Taylor Glen Community, the Resident's best interests, the best interests of other Taylor Glen residents and the effective operation of Taylor Glen. Baptist Homes shall consult with Resident's physician and next of kin or other personal representative, to the extent such consultation is feasible.

16. If, at any time, Resident transfers to the Health Care Center of Taylor Glen to receive residential care in an Assisted Living Apartment or the Nursing Care Center (excluding thirty (30) days of free care for temporary illness as provided by Paragraph 3(e)), and without regard to whether such care is at the Resident's election or the consequence of a determination by Baptist Homes that the Resident is no longer capable of independent living:

a. Baptist Homes agrees:

- i. To waive any additional entrance fees for admission to the Health Care Center from Independent Living into an Assisted Living Apartment or the Nursing Care Center.
- ii. To assist Resident in obtaining the services of a physician if Resident's personal physician is not available and to obtain emergency services when required. All charges for services shall be at Resident's expense.
- iii. To maintain written records of all financial transactions with Resident or responsible party, including records of funds or personal property held by Baptist Homes for safekeeping.
- iv. As soon as available, to furnish room, board, nursing service and such basic services as may be required for the health, good grooming (exclusive of supplies) and well-being of Resident.
- v. To assist (to the extent of the availability of personnel) in processing required forms for reimbursement for insurance benefits but not to accept assignment thereof unless agreed to in advance.
- vi. To provide required assistance in daily living. Should supportive equipment, such as wheelchair, walker or other special equipment be prescribed for a continued use or desired for such Resident, same must be supplied at the expense of Resident.
- vii. To arrange for the prompt transfer of Resident to a hospital upon Resident's physician's order, immediately notifying responsible party or next of kin.
- viii. To administer such medication as may be prescribed, the cost of which shall be paid by Resident.



- ix. To provide appropriate recreational, social and religious programs.
  - x. To furnish services as applicable to the Health Care Center of Taylor Glen as prescribed by applicable governmental regulations.
- b. Resident and Responsible Party agree:
- i. To provide complete information regarding Resident as requested and to authorize release of necessary information to appropriate agencies if requested.
  - ii. To pay all fees and charges described in this Agreement from Resident's current and future assets and income (as certified to by the Resident on the Exhibit A attached to this Agreement).
  - iii. To provide or be responsible for personal items of clothing, toiletries, and other personal property.
  - iv. To accept full responsibility for and absolve Baptist Homes, its personnel and attending physician of responsibility for any event, accident, or deterioration of medical condition while the Resident is away from and not under the direct care and supervision of the Nursing Care Center.
  - v. To authorize Baptist Homes to effect Resident's move from room to room for reasons involving nursing, compatibility and the convenience of Baptist Homes.
  - vi. To abide by Baptist Homes' policies and regulations regarding visiting hours, the welfare of Resident and conduct of Health Care Center operations.
  - vii. To pay all costs, expenses, and reasonable attorneys' fees, whether or not suit be brought, in the event same must be expended in the collection of any sums due and owing by Resident to Baptist Homes.
17. If a resident is away from the Gardens of Taylor Glen Community for thirty (30) consecutive days, he/she will receive a credit for thirty (30) meals at the then current rate for each person on the monthly statement following the thirty (30) day period. If for any reason a resident returns to the Gardens of Taylor Glen Community for an overnight stay, he/she will be ineligible to take advantage of the "away rate." The "away rate" can be taken for a maximum of three (3) months.
18. In case of injury to Resident by a third party, Baptist Homes shall have the right of subrogation for all its costs and expenses incurred by reason of such injury, and shall have the right, in the name of the Resident or otherwise, to take all necessary

steps and procedures to enforce the payment of the same by the person responsible for such injury.

19. Resident and Responsible Party agree to pay to Baptist Homes the cost of repair for damages to Baptist Homes' property due to the negligence or willful conduct of the Resident or his or her guests. Resident and Responsible Party (with Resident's assets, income or resources) also agree to indemnify Baptist Homes for any claim, judgment, cost or fee, including reasonable attorneys' fees, arising from injury or damage to the property of any person or party caused by the negligence or intentional misconduct of Resident or Resident's guest..
20. If this Agreement concerns an existing Apartment Home, the Resident acknowledges an inspection of the Apartment Home and accepts same as satisfactory in every respect. Any exceptions to the foregoing statement are agreed to by both parties and set forth in a statement signed by both parties and attached to this Agreement as Exhibit B.
21. If this Agreement concerns an Apartment Home as to which construction has not been completed, the Resident acknowledges an inspection of and acceptance of the floor plan diagram for the Apartment Home as set forth by Exhibit B attached to this Agreement, subject to completion of construction in accordance with the floor plan diagram.
22. To facilitate the transaction of essential business in case of illness or disability, the Resident shall, prior to occupancy, grant a general durable power of attorney pursuant to the provisions of North Carolina Gen. Stat. § 32A-8 to a responsible relative or friend, maintain same for the duration of this Agreement, and provide Baptist Homes a recorded copy of the original and any amendments thereto.
23. Baptist Homes has an historical relationship to the Baptist State Convention of North Carolina. The Baptist State Convention of North Carolina is not responsible for the financial or contractual obligations of Baptist Homes.
24. Attached to this Agreement as Exhibit C, and incorporated herein as if fully set forth, is a Disclosure Statement prepared by Baptist Homes in accordance with North Carolina Gen. Stat. § 58-64-1 et seq. The Resident hereby acknowledges receipt of the Disclosure Statement.
25. The Resident and Responsible Party have read this Agreement and understand its provisions. The Agreement and any amendments thereto constitute the entire Agreement between Baptist Homes and Resident and Responsible Party and supersedes all prior negotiations, understandings, and agreements between them. Baptist Homes is not liable for nor bound in any manner by any statements, representations or promises made by any person representing or purporting to represent Baptist Homes unless such statements, representations or promises are set forth in this Agreement or an amendment thereto.

26. The rights of Resident are limited to those rights and privileges expressly granted by the terms of this Agreement. Taylor Glen or other Baptist Homes facilities, properties and revenues are or may be subject to a first deed of trust or serve as security for various financing arrangements. Certain legal rights of the lender, including any right of foreclosure in the event of default, are superior to the rights and privileges granted the Resident by this Agreement.
27. This Agreement shall bind and inure to the benefit of the successors and assigns of Baptist Homes and the heirs, executors and administrators of Resident as well as any successor Responsible Party.
28. If there is a final determination by appropriate legal authorities that any portion of this Agreement conflicts with or is inconsistent with valid state or federal law or regulation applicable to Baptist Homes, the Resident and/or the services covered by this Agreement, such law or regulation shall control the relationship between Baptist Homes and the Resident in lieu of any portion of this Agreement as to which there has been such a final determination.
29. If a portion of this Agreement shall be determined to be illegal or not in conformity with appropriate laws and regulations, it shall not invalidate or affect the validity of the remainder of this Agreement.
30. This Agreement shall not be binding on Baptist Homes until it is approved by and executed on behalf of Baptist Homes, as indicated below.



County of \_\_\_\_\_

State of North Carolina

I certify that the following person(s) personally appeared before me this the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, each acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: \_\_\_\_\_ [name of Resident(s)].

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

\_\_\_\_\_  
(Official Signature of Notary)

(Official Seal)

\_\_\_\_\_, Notary Public  
(Print/Type Name)

My commission expires: \_\_\_\_\_.

\* \* \* \* \*

County of \_\_\_\_\_

State of North Carolina

I certify that the following person personally appeared before me this the \_\_\_\_ day of \_\_\_\_\_, 201\_\_\_\_, acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: \_\_\_\_\_ [name of Responsible Party].

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

\_\_\_\_\_  
(Official Signature of Notary)

(Official Seal)

\_\_\_\_\_, Notary Public  
(Print/Type Name)

My commission expires: \_\_\_\_\_.

\* \* \* \* \*

County of \_\_\_\_\_

State of North Carolina

I certify that the following person personally appeared before me this the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated:: \_\_\_\_\_ [Baptist Retirement Homes of North Carolina, Incorporated].

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

\_\_\_\_\_  
(Official Signature of Notary)

(Official Seal)

\_\_\_\_\_, Notary Public  
(Print/Type Name)

My commission expires: \_\_\_\_\_.

## ATTACHMENTS

### Apartment Resident Agreement Gardens of Taylor Glen Retirement Community

Exhibit A Application(s) for Residency

Exhibit B Statement of Exceptions to Condition of Apartment to be occupied pursuant to this Agreement

OR

Plans and Specifications for Construction of Apartment to be occupied pursuant to this Agreement

Exhibit C Disclosure Statement

Exhibit D Documents or Information Provided to Residents & Acknowledgement of Receipt

EXHIBIT D

I, the undersigned Resident acknowledge receipt of the following documents or information from Baptist Retirement Homes of North Carolina, Incorporated:

1. Taylor Glen's Continuing Care Retirement Community Disclosure Statement pursuant to N.C. Gen. Stat. § 58-64-20.
2. The following address and telephone number pursuant to N.C. Gen. Stat. Ch. 58, Art. 64;

Steve Johnson  
Manager – Special Entities  
1203 Mail Service Center  
Raleigh, NC 27699-1203

North Carolina Department of Insurance  
Alternative Markets Division  
Special Entities Section  
1203 Mail Service Center  
Raleigh, NC 27699-1203

Telephone: (919) 807-6140

By:

\_\_\_\_\_  
President  
Baptist Retirement Homes  
of North Carolina, Incorporated

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Responsible Party



County of \_\_\_\_\_

State of North Carolina

I certify that the following person(s) personally appeared before me this the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, each acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: \_\_\_\_\_ [name of Resident(s)].

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

\_\_\_\_\_  
(Official Signature of Notary)

(Official Seal)

\_\_\_\_\_, Notary Public  
(Print/Type Name)

My commission expires: \_\_\_\_\_.

\* \* \* \*

County of \_\_\_\_\_

State of North Carolina

I certify that the following person personally appeared before me this the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: \_\_\_\_\_ [name of Responsible Party].

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

\_\_\_\_\_  
(Official Signature of Notary)

(Official Seal)

\_\_\_\_\_, Notary Public  
(Print/Type Name)

My commission expires: \_\_\_\_\_.

# **ATTACHMENT IV – A**

**Amendment to  
Resident Agreement;  
Promissory Note;  
And  
Deed of Trust**

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA, INCORPORATED**

**AMENDMENT TO APARTMENT RESIDENT AGREEMENT  
GARDENS OF TAYLOR GLEN RETIREMENT COMMUNITY**

THIS AMENDMENT TO APARTMENT RESIDENT AGREEMENT ("Amendment") is entered into in Concord, Cabarrus County, North Carolina by and between Baptist Retirement Homes of North Carolina, Incorporated, a nonprofit corporation duly organized under the laws of the State of North Carolina, hereinafter referred to as "Baptist Homes," and \_\_\_\_\_ hereinafter referred to as "Resident," and \_\_\_\_\_, hereinafter referred to as "Responsible Party." (If more than one person who will be a resident enters into this Amendment, the word "Resident" as used herein shall include both of them unless otherwise stated.)

In consideration of mutual promises and understandings herein set forth and set forth in the Apartment Resident Agreement ("Agreement"), Baptist Homes, Resident, and Responsible Party agree to amend the Agreement as follows:

1. Paragraph 1 of the Agreement is hereby deleted and replaced in its entirety with the following:

Resident shall pay to Baptist Homes the sum of \$\_\_\_\_\_ as an Entrance Fee for Apartment # \_\_\_\_\_, in the following manner:

- a. Ten percent (10%) upon execution of the Agreement by Resident, including a credit for the reservation fee, if any, previously paid.
- b. An additional fifteen percent (15%) of the Entrance Fee not less than thirty (30) days prior to the "date of occupancy" as described in Paragraph 2 of the Agreement.
- c. The remaining seventy-five percent (75%) immediately upon the earlier of (i) the sale or transfer of title to that certain property located at \_\_\_\_\_ (the "Property") which Property shall be more specifically described in the Deed of Trust (as hereinafter defined) executed, acknowledged and delivered to Baptist Homes concurrently with the Promissory Note (as hereinafter defined), or (ii) two (2) years following the "date of occupancy" as described in Paragraph 2 of the Agreement.

Not less than thirty (30) days prior to the "date of occupancy" as defined in Paragraph 2 of the Agreement, Resident shall (A) execute (and cause Responsible Party to acknowledge) a promissory note in an amount equal to seventy-five percent (75%) of the Entrance Fee and otherwise substantially in the form attached to this Amendment as Exhibit A (the "Promissory Note") and (B) execute and have acknowledged by a notary (and cause Resident's spouse, if any, to execute and have acknowledged by a notary) a deed of trust substantially in the

form attached to this Amendment as Exhibit B (the "Deed of Trust"). Baptist Homes is authorized to record the executed Deed of Trust in the Office of the Register of Deeds for the County in which the Property is located upon receipt.

2. A new Paragraph 10(c) shall be inserted to read as follows:

If Resident has executed a Promissory Note as described in Paragraph 1, Baptist Homes shall take such steps necessary to destroy or otherwise invalidate the Promissory Note in the event of termination under this Section 10.

3. Paragraph 11(a)(ii) of the Agreement is hereby deleted and replaced in its entirety with the following:

If Resident occupies the Apartment Home for a period of time but, within sixty (60) months of occupying the Apartment Home, voluntarily terminates the Agreement pursuant to Paragraph 11(a)(i) thereof or dies, Baptist Homes will refund an amount equal to the amortized remaining value of the Entrance Fee based on a sixty (60) month term; provided however, to the extent that Resident terminates the Agreement or dies prior to paying the full Entrance Fee as permitted under Section 1(c), such refund shall be an amount equal to the amortized remaining value of the portion of the Entrance Fee actually paid based on a sixty (60) month term starting with the date of occupancy (regardless of when such portion of the Entrance Fee was paid). If Resident voluntarily terminates the Agreement or dies more than sixty (60) months after occupying the Apartment Home, no refund will be paid by Baptist Homes.

4. A new Paragraph 11(e) shall be inserted to read as follows:

If Resident has executed a Promissory Note as described in Paragraph 1, Baptist Homes shall take such steps necessary to destroy or otherwise invalidate the Promissory Note in the event of termination under this Section 11.

5. Paragraph 14 of the Agreement is deleted and replaced in its entirety with the following:

When an Apartment Home is occupied by more than one person, all of whom have initially signed this Agreement, and one Resident dies or moves from the Apartment Home and releases or relinquishes further occupancy rights, leaving one or more Residents remaining in the Apartment Home, no refund is payable at that time. In such a case, the remaining Resident shall have the option of retaining the same Apartment Home, paying any portion of the Entrance Fee that remains outstanding by the maturity date reflected in the applicable Promissory Note, receiving no refund on the Entrance Fee, and paying the monthly service fee applicable to the number of persons then occupying that Apartment. Under such circumstances, Resident agrees to sign any ratification or amendment to the Agreement, a ratification of the applicable Promissory Note (if such Promissory Note was given in Resident's name), a new promissory note and related security instruments (if the Promissory Note is not in Resident's name), and/or such

similar instruments as Baptist Homes, in its reasonable discretion, deems appropriate to secure Resident's obligation to pay any outstanding portion of the Entrance Fee.

6. If a Resident transfers or otherwise accepts space in the Health Care Center under Paragraphs 15 or 16 of the Agreement, notwithstanding any other provision of the Agreement, including but not limited to Section 16(a)(i), such transfer shall not impact Resident's obligation to pay any outstanding balance on the Entrance Fee by the maturity date set forth in the applicable Promissory Note.
7. Except as otherwise amended herein, the Agreement shall remain in full force and effect, and shall be binding upon the parties.
8. The Resident and Responsible Party have read this Amendment and understand its provisions. The Agreement, this Amendment, and any other amendments thereto constitute the entire Agreement between Baptist Homes and Resident and Responsible Party and supersedes all prior negotiations, understandings, and agreements between them. Baptist Homes is not liable for nor bound in any manner by any statements, representations or promises made by any person representing or purporting to represent Baptist Homes unless such statements, representations or promises are set forth in the Agreement, this Amendment, or any other amendments thereto.
9. If there is a final determination by appropriate legal authorities that any portion of this Amendment conflicts with or is inconsistent with valid state or federal law or regulation applicable to Baptist Homes, the Resident and/or the services covered by this Amendment, such law or regulation shall control the relationship between Baptist Homes and the Resident in lieu of any portion of this Amendment as to which there has been such a final determination.
10. If a portion of this Amendment shall be determined to be illegal or not in conformity with appropriate laws and regulations, it shall not invalidate or affect the validity of the remainder of this Amendment or the Agreement.

[SIGNATURE PAGES FOLLOW]



County of \_\_\_\_\_

State of North Carolina

I certify that the following person(s) personally appeared before me this the \_\_\_\_ day of \_\_\_\_\_, 201\_\_, each acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: \_\_\_\_\_ [name of Resident(s)].

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

\_\_\_\_\_  
(Official Signature of Notary)

(Official Seal)

\_\_\_\_\_, Notary Public  
(Print/Type Name)

My commission expires: \_\_\_\_\_.

\* \* \* \* \*

County of \_\_\_\_\_

State of North Carolina

I certify that the following person personally appeared before me this the \_\_\_\_ day of \_\_\_\_\_, 201\_\_, acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: \_\_\_\_\_ [name of Responsible Party].

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

\_\_\_\_\_  
(Official Signature of Notary)

(Official Seal)

\_\_\_\_\_, Notary Public  
(Print/Type Name)

My commission expires: \_\_\_\_\_.

\* \* \* \* \*

County of \_\_\_\_\_

State of North Carolina

I certify that the following person personally appeared before me this the \_\_\_\_ day of \_\_\_\_\_, 201\_\_, acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated:: \_\_\_\_\_ [Baptist Retirement Homes of North Carolina, Incorporated].

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

\_\_\_\_\_  
(Official Signature of Notary)

(Official Seal)

\_\_\_\_\_, Notary Public  
(Print/Type Name)

My commission expires: \_\_\_\_\_.



Exhibit A

Note

[Attached]

## PROMISSORY NOTE

Amount: \_\_\_\_\_

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

FOR VALUE RECEIVED, \_\_\_\_\_ (“Maker”), hereby promises to pay to the order of Baptist Retirement Homes of North Carolina, Incorporated, a nonprofit corporation duly organized under the laws of the State of North Carolina and its successors and assigns (collectively, “Holder”), at Baptist Retirement Homes of North Carolina, Incorporated, P.O. Box 11024, Winston-Salem, NC 27116-1024, or at such other place as may be designated by Holder, the principal amount of \_\_\_\_\_ (the “Principal Amount”), in immediately available funds, pursuant to the terms and conditions contained in this promissory note (“Note”).

1. **Repayment Terms.** Maker shall pay the entire Principal Amount to Holder on or before the earlier of (a) the sale or transfer of title to that certain property located at \_\_\_\_\_ (the “Property”) which Property is more specifically described in that certain Deed of Trust executed, acknowledged and delivered by Maker to Holder concurrently herewith, or (b) \_\_\_\_\_ (the “Maturity Date”) without further notice or demand. All payments shall be made by wire transfer in accordance with Holder’s wiring instructions or by certified check.

2. **Interest Rate.** No interest shall accrue or be payable on the unpaid Principal Amount of this Note, provided that, upon an Event of Default (as hereinafter defined) the outstanding Principal Amount shall bear interest at a rate of seven percent (7%) per annum, compounded monthly (“Default Interest”).

3. **Waivers, Consents and Covenants.** Maker waives, to the extent permitted by applicable law, presentment, demand and protest, in connection with the delivery, acceptance, performance, default or enforcement of this Note.

4. **Right of Prepayment.** Prior to the Maturity Date, Maker may prepay this Note without penalty at any time.

5. **Events of Default.** The occurrence of one or more of the following events shall be “Events of Default” under this Note, and the term “Event of Default” shall mean, whenever used in this Note, any one or more of the following events:

- (a) **Failure to Pay.** Maker shall fail to fully pay the Principal Amount in accordance with the terms of this Note on or before the Maturity Date.
- (b) **Other Defaults.** Maker shall fail in the due observance or performance of any other term, covenant or agreement in this Note, which default shall remain unremedied for ten (10) days after written notice thereof to Maker by Holder.
- (c) **Receiver; Bankruptcy.** Maker shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of his or her property, (ii) make a general assignment for the benefit of creditors, (iii) be adjudicated as bankrupt or be insolvent, (iv) file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against him or her in any proceeding under any such law, or (v) by any act indicate his or her consent to, approval of or acquiescence in any such proceeding or the appointment of any receiver of

or trustee for any of his or her property, or suffer any such receivership, trusteeship or proceeding to continue undischarged for a period of sixty (60) days.

6. **Remedies Upon Default.** Upon the occurrence of an Event of Default, and until such Event of Default shall have been cured, Holder may, at its option and without further notice or demand, (i) declare the outstanding Principal Amount of this Note, including any Default Interest accrued but unpaid, at once due and payable, (ii) pursue any and all rights, remedies and recourses available to the Holder at law or in equity, or (iii) pursue any combination of the foregoing.

7. **Apartment Resident Agreement.** This Note has been delivered pursuant to the Apartment Resident Agreement between Maker and Holder, as amended (the "Resident Agreement").

8. **Non-Waiver.** The failure at any time of Holder to exercise any of its options or any other rights hereunder shall not constitute a waiver thereof, nor shall it be a bar to the exercise of any of its options or rights at a later date. All rights and remedies of Holder shall be cumulative and may be pursued singly, successively or together, at the option of Holder. The acceptance by Holder of any partial payment shall not constitute a waiver of any default or of any of Holder's rights under this Note. No waiver of any of its rights hereunder, and no modification or amendment of this Note, shall be deemed to be made by either party unless the same shall be in writing, duly signed by each party; each such waiver shall apply only with respect to the specific instance involved, and shall in no way impair the rights of Holder or the obligations of Maker to Holder in any other respect at any other time.

9. **Applicable Law.** This Note and the rights and obligations of Maker and Holder shall be governed by and interpreted in accordance with the laws of the State of North Carolina.

10. **Partial Invalidity.** The unenforceability or invalidity of any provision of this Note shall not affect the enforceability or validity of any other provision herein, and the invalidity or unenforceability of any provision of this Note to any person or circumstance shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances.

11. **Binding Effect.** This Note shall be binding upon and inure to the benefit of Maker and his or her heirs, successors, and permitted assigns and Holder and its successors and assigns.

12. **Costs/Attorneys Fees.** In the event default is made in the prompt payment of this Note when due or declared due, and this Note is placed in the hands of an attorney for collection, or suit is brought on the same, or the same is collected through probate, bankruptcy or other judicial proceedings, then Maker shall pay on demand all costs of collection, including reasonable attorney's fees.

13. **Manner and Method of Payment.** All payments called for in this Note shall be made in lawful money of the United States of America by wire transfer to an account designated by Holder, which account may be changed by Holder from time to time upon notice to Maker pursuant to Section 15 hereof, or by certified check.

14. **No Usury Intended; Usury Savings Clause.** In no event shall interest contracted for, charged or received hereunder, plus any other charges in connection herewith which constitute interest, exceed the maximum interest permitted by applicable law. The amounts of such interest or other charges previously paid to the holder of the Note in excess of the amounts permitted by applicable law shall be applied by the holder of the Note to reduce the principal of the indebtedness evidenced by the Note, or, at the option of Holder, be refunded. To the extent permitted by applicable law, determination of the legal maximum amount of interest shall at all times be made by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of the Note, all interest at any time contracted for,

charged or received from Maker hereof in connection with the loan and indebtedness evidenced hereby, so that the actual rate of interest on account of such indebtedness is uniform throughout the term hereof.

15. **Notices.** All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered, mailed or transmitted, and shall be effective (i) upon receipt or refusal of delivery, if delivered personally, mailed by registered or certified mail (postage prepaid, return receipt requested), or delivered by courier service or overnight mail to the parties at the following addresses (or at such other address for a party as shall be communicated by such party pursuant hereto) or (ii) upon receipt if sent by electronic transmission to the telecopier number specified below (or at such other telecopier number for a party as shall be communicated by such party pursuant hereto) provided that a copy of such notice or other communication is delivered personally or by courier service within two (2) business days following such electronic transmission:

(a) If to Maker:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(b) If to Holder:

Baptist Retirement Homes of North Carolina, Incorporated  
P.O. Box 11024  
Winston-Salem, NC 27116-1024  
Attn: \_\_\_\_\_

16. **Transfer.** This Note may be transferred or otherwise assigned by Holder, provided Holder gives prior written notice thereof to Maker.

17. **Construction.** As used herein, the singular includes the plural and the plural includes the singular. A reference to any gender also applies to any other gender. Defined terms are capitalized throughout this Note. The section headings are for convenience only and are not part of this Note.

[Signature Page Immediately Follows]

IN WITNESS WHEREOF, Maker has caused this Note to be executed as of the day and year first above written.

**MAKER:**

\_\_\_\_\_  
[Name]  
Social Security No. \_\_\_\_\_

\_\_\_\_\_, as the Responsible Party under the Resident Agreement does hereby execute this Note to evidence its acknowledgment of, and consent to, the duties and obligations of Maker and the rights and interests of Holder hereunder.

**RESPONSIBLE PARTY:**

\_\_\_\_\_  
[Name]

*Signature Page to Promissory Note to  
to Baptist Retirement Homes of North Carolina, Incorporated,  
dated \_\_\_\_\_, 20\_\_*

Exhibit B

Deed of Trust

[Attached]

PREPARED BY: \_\_\_\_\_

RETURN TO: \_\_\_\_\_

Brief Description for the Index: \_\_\_\_\_

STATE OF NORTH CAROLINA

COUNTY OF \_\_\_\_\_

**DEED OF TRUST**

This DEED OF TRUST ("**Deed of Trust**") made as of \_\_\_\_\_, 20\_\_ by \_\_\_\_\_ and \_\_\_\_\_, whose address is \_\_\_\_\_ (individually and collectively "**Grantor**"), to \_\_\_\_\_ whose address is \_\_\_\_\_, as trustee ("**Trustee**"), for the benefit of BAPTIST RETIREMENT HOMES OF NORTH CAROLINA, INCORPORATED, whose address is P.O. Box 11024, Winston-Salem, NC 27116-1024, Attn.: Mr. William Stillerman ("**Beneficiary**").

**WITNESSETH:**

WHEREAS, the Grantor is indebted to the Beneficiary in the principal sum of \_\_\_\_\_ and \_\_\_ Dollars (\$ \_\_\_\_\_), as evidenced by a Promissory Note of even date herewith (the "**Note**"). The maturity date of the Note, if not sooner paid, is the earlier of (i) the transfer or sale of title to the Property (as hereinafter defined) or (ii) \_\_\_\_\_, 20\_\_.

NOW, THEREFORE, as security for the indebtedness under the Note, advancements and other sums expended by Beneficiary pursuant to this Deed of Trust and costs of collection (including attorneys fees as provided in the Note) and other valuable consideration, the receipt of which is hereby acknowledged, the Grantor has bargained, sold, given and conveyed and does by these presents bargain, sell, give, grant and convey to Trustee with power of sale, Trustee's heirs, or successors, and assigns, the parcel(s) of land situated in the City of \_\_\_\_\_, \_\_\_\_\_ County, North Carolina, (the "**Property**") and more particularly described on Exhibit A attached hereto;

TO HAVE AND TO HOLD the Property with all privileges and appurtenances thereunto belonging, to said the Trustee, his heirs, successors, and assigns forever, upon the trusts, terms and conditions, and for the uses hereinafter set forth.

IN TRUST, HOWEVER, that if the Note is timely paid and performed and each and every representation, warranty, agreement, and condition of this Deed of Trust is complied with and abided by, this Deed of Trust and the estate hereby created shall cease and be null, void, and canceled of record at the request and expense of Grantor.

Grantor WARRANTS AND REPRESENTS that Grantor is seized of the Property in fee simple, has the right to convey the same in fee simple, that the title is marketable and free and clear of all encumbrances, and that Grantor will warrant and will defend the title thereto to Trustee, Beneficiary and Beneficiary's successors and assigns, against the lawful claims of all persons whomsoever.

Grantor further represents and agrees with Trustee and Beneficiary as follows:

1. Insurance. Grantor shall keep all improvements on the Property, not or hereafter erected, constantly insured for the benefit of the Beneficiary against loss by fire, windstorm and such other casualties and hazards, in such manner and in such companies and for such amounts, not less than that amount necessary to pay the sum secured by this Deed of Trust, and as may be satisfactory to the Beneficiary, and shall provide liability insurance providing coverage in such amount as Beneficiary may require (collectively "**Insurance**") naming Beneficiary as an additional insured. Grantor shall purchase the Insurance, pay all premiums therefore, and shall deliver to Beneficiary such policies along with evidence of premium payments as long as the Note secured hereby remains unpaid. All proceeds from any Insurance shall at the option of Beneficiary be applied to the Note and if payable in installments, applied in the inverse order of maturity of such installments or to the repair or reconstruction of any improvements located upon the Property.

2. Waiver. Grantor waives all rights to require marshalling of assets by the Trustee or Beneficiary.

3. Impositions. Grantor will pay all taxes, levies, assessments and other fees and charges imposed upon or which may become a lien upon the Property under any law or ordinance (collectively "**Impositions**") before they become delinquent and in any event in the same calendar year in which they first become due.

4. Condition of Property. Grantor shall keep and maintain the Property in good condition and repair and fully protected from the elements to the satisfaction of Beneficiary. Grantor will not remove, demolish or structurally alter any of the buildings or other improvements on the Property (except such alterations as may be required by laws, ordinances or regulations) without the prior written consent of Beneficiary. Grantor shall promptly notify Beneficiary in writing of any loss, damage or adverse condition affecting the Property. Grantor shall comply with all governmental regulations and requirements respecting the Property or its use and will not commit waste.



5. Eminent Domain. Should the Property or any interest therein be taken or damaged by reason of any public use or improvement or condemnation proceeding (“**Condemnation**”), or should Grantor receive any notice or other information regarding such Condemnation, Grantor shall give prompt written notice thereof to Beneficiary. Beneficiary shall be entitled to all compensation, awards and other payments or relief granted in connection with such Condemnation and, at its option, may commence, appear in and prosecute in its own name any action or proceedings relating thereto. Beneficiary shall be entitled to make any compromise or settlement in connection with such taking or damage. All compensation, awards, and damages awarded to Grantor related to any Condemnation (the “**Proceeds**”) are hereby assigned to Beneficiary and Grantor agrees to execute such further assignments of the Proceeds as Beneficiary may require. All the Proceeds shall be applied to the outstanding principal balance under the Note. Grantor appoints Beneficiary as its attorney-in-fact to receive and endorse the Proceeds to Beneficiary, which appointment is coupled with an interest and shall be irrevocable as long as the Note remains unsatisfied.

6. Inspections. Beneficiary, or its representatives or agents, are authorized to enter at any reasonable time upon any part of the Property for the purpose of inspecting the Property and for the purpose of performing any of the acts it is authorized to perform under the terms of this Deed of Trust.

7. Liens and Subrogation. Grantor shall pay and promptly discharge all liens, claims and encumbrances upon the Property made after the recording of this Deed of Trust.

8. Payments by Beneficiary. After notice to Grantor and Grantor’s failure to pay, Beneficiary may pay such sums as Beneficiary deems appropriate for the protection and maintenance of the Property including, without limitation, sums to pay Impositions and other levies, assessments or liens, maintain Insurance, make repairs, secure the Property, maintain utility service, intervene in any condemnation and pay attorneys’ fees and other fees and costs to enforce this Deed of Trust or protect the lien hereof (including foreclosure) or collect on the Note, without limitation, including those incurred in any proceeding including bankruptcy or arbitration. Any amounts so paid shall bear interest at the default rate stated in the Note and shall be secured by this Deed of Trust. No payment by Beneficiary or anything else contained in this section shall constitute a waiver by Beneficiary or prevent such failure to perform from constituting an Event of Default.

9. Indemnification. Grantor shall protect, indemnify and save harmless Beneficiary from and against all losses, liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorneys’ fees and expenses) (collectively, “**Damages**”) imposed upon, incurred by or asserted against Beneficiary on account of (i) any claim of loss or damage to the Property or any injury or claim of injury to, or death of, any person or property that may be occasioned by any cause whatsoever pertaining to the Property or the use, occupancy or operation thereof, (ii) any failure or alleged failure of Grantor to comply with any law, rule or regulation applicable to the Property or the use, occupancy or operation of the Property (including, without limitation, the failure to pay any taxes, fees or other charges), provided that such indemnity shall be effective only to the extent of any Damages that may be sustained by Beneficiary in excess of any net proceeds received by it from any insurance of Grantor (other than self-insurance) with respect to Damages, or (iii) any and all liability

arising from any leases related to the Property. Nothing contained herein shall require Grantor to indemnify Beneficiary for any Damages resulting from Beneficiary's negligence or its willful and wrongful acts. If any suit or proceeding is brought against the Trustee or Beneficiary or if any suit or proceedings is brought which may affect the value or title of the Property, Grantor shall defend, indemnify and hold harmless and on demand reimburse Trustee or Beneficiary from any Damages and any sums expended by Trustee or Beneficiary shall bear interest as provided in the Note and shall be due and payable on demand. The indemnity provided for herein shall survive payment of the Note and shall extend to the officers, directors, employees and duly authorized agents of Beneficiary.

10. Due on Sale or Further Encumbrance or Transfer of an Interest in Grantor. Without the prior written consent of Beneficiary in each instance, Grantor shall not (i) sell, convey, transfer or encumber the Property, or any part thereof or interest therein, whether legal or equitable, (ii) cause or permit any transfer of the Property or any part thereof, whether voluntarily, involuntarily or by operation of law, or (iii) enter into any agreement or transaction to transfer, or accomplish in form or substance a transfer, of the Property. A "transfer" of the Property includes: (a) the direct or indirect sale, transfer or conveyance of the Property or any portion thereof; or (b) the execution of an installment sale contract or similar instrument affecting all or any portion of the Property.

11. Assignments of Leases. Grantor assigns to Beneficiary, in the Event of Default, all rents and profits from the Property and any improvements thereon, and authorizes Beneficiary to enter upon and take possession of the Property and improvements, to rent same, at any reasonable rate of rent determined by Beneficiary, and after deducting from any such rents the cost of reletting and collections, to apply the remainder to the amount due under the Note.

12. Events of Default. Each of the following shall constitute an Event of Default by Grantor hereunder (each, an "Event of Default"):

- (a) A default under the Note; or
- (b) A breach of any covenant, condition, warranty, obligation, representation or agreement of Grantor under this Deed of Trust.

13. Remedies. If an Event of Default shall have occurred, Beneficiary may take one or more of any of the following actions:

(a) Acceleration. Beneficiary may declare the Note immediately due and payable, without presentment, demand, notice of any kind, protest or notice of protest, all of which are expressly waived.

(b) Foreclosure and Sale. Beneficiary may (i) direct Trustee to sell under power of sale (and Trustee is hereby empowered to sell) all or any part of the Property at public auction to the last and highest bidder for cash (free of any equity of redemption, homestead, dower, courtesy or other exemption, all of which are expressly waived by Grantor) at such time and place and upon such terms and conditions as shall be determined by Trustee, in its discretion, in accordance with applicable law or rule of court; (ii) elect to foreclose this Deed of Trust pursuant to a judicial foreclosure action; or (iii) take such other action at law, equity or by

contract for the enforcement of this Deed of Trust and realization on the security herein or elsewhere provided for, as the law may allow, and may proceed therein to final judgment and execution for the entire unpaid balance of the Note, together with any other sums due by Grantor in accordance with the provisions of this Deed of Trust, together with interest from the date of default at the default rate under the Note and all expenses of sale and of all proceedings in connection therewith, including reasonable Trustee's fees (not to exceed the maximum fee allowed by law) and reasonable attorneys' fees. The unpaid balance of any judgment shall bear interest at the greater of (1) the statutory rate provided for judgments, or (2) the default rate under the Note. Any sale may be adjourned by announcement at the time and place appointed for such sale without further notice except as may be required by law. Beneficiary may bid and become the purchaser at any sale under this Deed of Trust.

(c) Other Remedies. Beneficiary shall have the right, from time to time, to bring an appropriate action to recover any sums required to be paid by Grantor under the terms of this Deed of Trust, as they become due, without regard to whether or not any other Obligations shall be due, and without prejudice to the right of Beneficiary thereafter to bring an action of foreclosure, or any other action, for any default by Grantor existing at the time the earlier action was commenced.

14. Substitute Trustee. Beneficiary may, at any time and from time to time, without notice, at the Beneficiary's discretion, remove Trustee and appoint a substitute trustee ("**Substitute Trustee**") by filing in the records where this Deed of Trust is recorded an instrument affecting such removal and appointment. A Substitute Trustee shall be vested with title to the Property and with all rights, powers, and duties of the original Trustee herein and all provisions hereof pertaining to the Trustee shall similarly affect any Substitute Trustee. Any oath or bond by the Trustee is hereby waived.

15. Miscellaneous Provisions. Grantor agrees to the following: (i) All remedies available to Beneficiary with respect to this Deed of Trust or available at law or in equity shall be cumulative and may be pursued concurrently or successively. No delay by Beneficiary in exercising any remedy shall operate as a waiver of that remedy or of any default. Any payment by Beneficiary or acceptance by Beneficiary of any partial payment shall not constitute a waiver by Beneficiary of any default; (ii) The provisions hereof shall be binding upon and inure to the benefit of Grantor, their heirs, personal representatives, successors and assigns including, without limitation, subsequent owners of the Property or any part thereof, and shall be binding upon and inure to the benefit of Beneficiary, its successors and assigns and any future holder of the Note; (iii) Any notices, demands or requests shall be sufficiently given Grantor if in writing and mailed or delivered to the address of Grantor shown above and to Beneficiary if in writing and mailed or delivered to the address of Beneficiary shown above, or such other address as Beneficiary may specify from time to time and in the event that Grantor changes Grantor's address at any time prior to the date the Note is paid in full, that party shall promptly give written notice of such change of address by registered or certified mail, return receipt requested, all charges prepaid; (iv) This Deed of Trust may be terminated or modified only by an instrument in writing signed by the Beneficiary and Grantor and may be modified without the Trustee joining or signing such instrument; (v) The captions or headings at the beginning of each paragraph hereof are for the convenience of the parties and are not a part of this Deed of Trust; (vi) If the lien of this Deed of Trust is invalid or unenforceable as to any part of the Note, the unsecured

portion of the Note shall be completely paid (and all payments made shall be deemed to have first been applied to payment of the unsecured portion of the Note) prior to payment of the secured portion of the Note and if any clause, provision or obligation hereunder is determined invalid or unenforceable the remainder of this Deed of Trust shall be construed and enforced as if such clause, provision or obligation had not been contained herein; (vi) This Deed of Trust shall be governed by and construed under the laws of the State of North Carolina; and (viii) Grantor by execution and Beneficiary by acceptance of this Deed of Trust agree to be bound by the terms and provisions hereof.

**[Signature Page and Acknowledgments Immediately Follow]**

IN WITNESS WHEREOF, Grantor has signed this instrument under seal as of the day and year first above written.

**Grantor**

\_\_\_\_\_(SEAL)  
Print Name: \_\_\_\_\_

\_\_\_\_\_(SEAL)  
Print Name: \_\_\_\_\_

STATE OF NORTH CAROLINA  
COUNTY OF \_\_\_\_\_

I certify that the following person personally appeared before me this day acknowledging to me that he or she signed the foregoing document: \_\_\_\_\_  
(Name of Person)

Date: \_\_\_\_\_, 20\_\_\_\_  
(Official Seal)

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
Notary Public  
My commission expires: \_\_\_\_\_

STATE OF NORTH CAROLINA  
COUNTY OF \_\_\_\_\_

I certify that the following person personally appeared before me this day acknowledging to me that he or she signed the foregoing document: \_\_\_\_\_  
(Name of Person)

Date: \_\_\_\_\_, 20\_\_\_\_  
(Official Seal)

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
Notary Public  
My commission expires: \_\_\_\_\_

**EXHIBIT A**

Property

# **ATTACHMENT V**

## **Residency Agreement -**

### **Adult Care Home Residence**

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA, INCORPORATED**

**RESIDENT CARE / ASSISTED LIVING AGREEMENT  
GARDENS OF TAYLOR GLEN RETIREMENT COMMUNITY**

THIS AGREEMENT, made in Concord, Cabarrus County, North Carolina among Baptist Retirement Homes of North Carolina, Incorporated, a nonprofit corporation duly organized under the laws of the State of North Carolina, hereinafter referred to as "Baptist Homes," \_\_\_\_\_ hereinafter referred to as "Resident" and \_\_\_\_\_ hereinafter referred to as "Responsible Party."

Resident has applied and been approved, subject to the terms of this Agreement, for admission to an Assisted Living Room (the "room") at Gardens of Taylor Glen Retirement Community, in Concord, North Carolina ("Taylor Glen"), a continuing care retirement community which consists of Independent Living Apartment Homes, Assisted Living Rooms, and Nursing Care Beds.

Responsible Party is Resident's personal representative, attorney-in-fact, or other individual who has legal access to Resident's income, assets or resources. To induce Baptist Homes to accept the Resident and enter into this Agreement, the Responsible Party also agrees to be bound by the terms and conditions of this Agreement.

All of the terms and conditions of this Residency Agreement are necessary for the comfort and security of the residents of Taylor Glen and for the proper operation of a retirement facility. All the terms and conditions have been fully agreed upon by the parties.

Therefore, in consideration of the payment of the Entrance Fee defined below, and in further consideration of the mutual covenants and agreements herein cited, Baptist Homes, Resident and Responsible Party, the sufficiency of said consideration being hereby acknowledged, agree as follows:

1. Entrance Fee
  - a. If Resident is being admitted to the Memory Enhanced Residence for persons with Alzheimer's Disease or other dementia-related disorders like Alzheimer's Disease, Resident or Responsible Party shall pay to Baptist Homes the sum of thirty-eight thousand dollars (\$38,000.00) as an Entrance Fee for Room # \_\_\_\_\_.
  - b. In all other instances, Resident or Responsible Party shall pay to Baptist Homes the sum of thirty thousand dollars (\$30,000.00) as an Entrance Fee for Room # \_\_\_\_\_.



2. In addition to the Entrance Fee, Resident and Responsible Party, if any, agrees to pay a service fee of \$\_\_\_\_\_ per month, or such amount as may be established from time to time by Baptist Homes. Payment of the monthly service fee shall begin on the Resident's "date of occupancy". The "date of occupancy" is either the date on which the Resident actually occupies the Room, or thirty (30) days after the Resident has been notified that the Room is available for occupancy, whichever shall first occur. The service fee for the first month shall be pro-rated and is payable prior to occupancy. Thereafter payments shall be made in advance on or before the fifth day of each month during the time that this Agreement is in force. Baptist Homes will provide sixty (60) days' written notice of any increase or decrease in the monthly service fee before the increase becomes effective.
  
3. For so long as Resident is capable of assisted living (see Paragraphs 15 & 16) and complies with the terms of this Agreement, Resident may occupy solely for residential purposes the Room designated in Paragraph 1. In addition, Baptist Homes shall provide for Resident the following facilities and services:
  - a. UTILITIES: heat, electricity, air conditioning, telephone, and television outlets, water and sewer services, and trash disposal.
  - b. FURNISHINGS: carpeting and blinds.
  - c. INSURANCE: fire, casualty, and extended coverage insurance adequate to allow Baptist Homes to repair or replace Taylor Glen in the event of fire or other casualty.
  - d. MEAL SERVICE: meals and snacks each day in the Assisted Living dining room.
  - e. HEALTH SERVICE: Baptist Homes will provide medication monitoring, health insurance filing and follow up, and social work services, at no additional charge to the Resident, during the entire term of Resident's residency.
  - f. PRIORITY NURSING BEDS: In the event Resident requires Nursing Care, Resident will be given priority status and will be provided with the first available space appropriate to Resident's needs.
  - g. MAINTENANCE: general maintenance of all common areas and grounds, and furnishings and equipment owned by Baptist Homes.
  - h. ACTIVITIES: recreational, social, and religious activities and other life enrichment programs, as well as supplies for activities.
  - i. HOUSEKEEPING: daily housekeeping.
  - j. LAUNDRY: personal laundry service.

- k. SCHEDULED TRANSPORTATION: scheduled transportation to medical appointments, local shopping areas and social activities.
  - l. STAFF: Taylor Glen will be staffed at all times to be responsive to the needs of the Resident and to assist in case of emergencies.
4. Resident and Responsible Party agree:
- a. To make timely payment of the charges described in Paragraph 2 above.
  - b. To assume responsibility for all of the Resident's own medical, dental, and optical care costs, except medication monitoring, as well as for insurance premiums, clothing, personal care items, and any other expenses or items not listed in Paragraph 3, above.
  - c. To pay the established prices for any optional services which the Resident chooses to have Baptist Homes provide, such as nursing or medical services.
  - d. To comply with the policies, rules, and regulations adopted by Baptist Homes regarding the operation of and residence in Taylor Glen.
  - e. To pay to Baptist Homes the cost of repair for damages to Baptist Homes' property due to the negligence or willful conduct of the Resident or his or her guests. Resident and Responsible Party (with Resident's assets, income or resources) also agree to indemnify Baptist Homes for any claim, judgment, cost or fee, including reasonable attorneys' fees, arising from injury or damage to the property of any person or party caused by the negligence or intentional misconduct of Resident or Resident's guest.
  - f. To maintain and use so much of his or her current and future assets and income (as certified to by the Resident on the Exhibit A attached to this Agreement) as is necessary to discharge the Resident's financial obligation under this Agreement and in the manner required by Paragraph 5 below.
  - g. To assume responsibility for the Resident's own burial and funeral plans and expenses, and for the disposition of the Resident's personal property and belongings in the event of death.
  - h. That, pursuant to N.C. Gen. Stat. § 131D-4.8(b), Responsible Party shall be the individual identified to receive a discharge notice in the event of an intended discharge of Resident.
5. The Resident's Application for Residency is attached to this Agreement as Exhibit A and incorporated by reference herein. Resident and Responsible Party represent and warrant that Exhibit A is true, complete and accurate in all material

respects. Resident and Responsible Party further certify the continuing accuracy and completeness of the factual representations contained in the application. Resident and Responsible Party understand and agree that the representations contained in the Application for Residency, and in particular the financial representations, were made by Resident and Responsible Party to induce Baptist Homes to enter into this Agreement. Any material misrepresentations or omissions in the Application for Residency shall render this Agreement voidable or terminable, including to the extent permitted by law the right to terminate the Resident's residency, at the option of Baptist Homes.

In addition, Resident and Responsible Party shall provide Baptist Homes an accurate and complete financial statement during the month of January in the year following admission as a Resident, and during each subsequent January, or at such intervals as Baptist Homes may request, for so long as residency continues.

Resident and Responsible Party agree to prudently conserve and maintain Resident's current and future income, resources, and assets in order to provide for payment of services to be provided by Baptist Homes under this Agreement or otherwise. Responsible Party expressly agrees to provide payment for all fees or charges incurred under this Agreement from Resident's income, resources, or assets. Resident and Responsible Party agree to provide Baptist Homes thirty (30) days prior written notice of any material transfer of Resident's income, assets or resources (e.g. trust documents), any material expenditure of Resident's income, assets, or resources, or any change in Responsible Party. Resident and Responsible Party shall promptly notify Baptist Homes of any material change in Resident's medical or financial condition, including but not limited to Resident's qualification for and intent to seek assistance from any public assistance benefit program, as hereinafter defined. Resident and Responsible Party shall likewise promptly notify Baptist Homes of any change in Resident's Responsible Party.

Responsible Party further acknowledges and agrees that he or she will personally be subject to a claim of breach of contract and held liable for any resulting damage to Baptist Homes to the extent he or she participates in a breach of the covenant to prudently conserve and maintain Resident's income, assets, or resources or violates the covenant to provide prior written notice of a change in Resident's financial position or in the Responsible Party. In addition such breach by the Responsible Party of the covenant to prudently conserve or provide prior notice shall render this Agreement voidable or terminable, including to the extent permitted by law the right to terminate the Resident's residency, at the option of Baptist Homes. Resident or Responsible Party, as the case may be, agrees to require any successor responsible party to become a party to this Agreement.

Upon verification satisfactory to Baptist Homes that Resident has complied with the foregoing obligations and that Resident's income, resources, and assets are insufficient to pay for services required, Baptist Homes will endeavor to provide financial assistance to Resident, by prudent use of finite funds available to it for

such purposes. Baptist Homes has no legal obligation to provide such assistance and is unable to represent or guarantee with certainty that such assistance will be available to Resident. In any event, such assistance as may be available will be provided only after Resident has applied for and taken all necessary steps to qualify for Medicaid, public assistance, any public benefit program, or private funds or programs through which benefits ("public assistance benefits") may be available for payment of services required by Resident.

6. Resident, at Resident's expense, shall maintain Part A and B Medicare Insurance in addition to a supplemental policy. Health care provided under the terms of this Agreement is exclusive of that covered under Medicare or any other health care policies maintained by Resident. If Resident is ineligible for Medicare, Resident shall maintain equivalent health insurance in full force and effect, unless Resident demonstrates to Baptist Homes' satisfaction that Resident is financially able to pay for those services that otherwise would be paid for by Medicare. Resident shall take such action and execute such forms as are reasonably necessary to secure the payment to any hospital, nursing facility or other providers of health care services (including to Baptist Homes for services provided by it), or to any physician, of any and all amounts payable in respect of services rendered to Resident and for which insurance is available. Resident further agrees to apply for all federal, state and local grants, aids and benefits, including Medicare, which the Resident may be eligible for and entitled to; and to apply such funds if requested by Baptist Homes, and to the extent allowed by law, toward the charges for care under this Agreement.
7. Notwithstanding any other provision in this Agreement, to the extent services are provided under this Agreement for which the charges are payable in whole or in part through a government benefits program such as Medicare, which payment is accepted by Baptist Homes, then the rates and methods of payment for such services shall be determined in accordance with the controlling laws and regulations.
8. Resident authorizes any medical care provider or other person in possession of medical records concerning the Resident to release such information to Baptist Homes without further authorization. The Resident further authorizes Baptist Homes to release such medical or other information as it has in its possession to any federal, state or county governmental agency in connection with any pending claim of or on behalf of the Resident for Medicare or other governmental assistance program or to any insurance carrier in connection with any claim for medical insurance coverage on or on behalf of the Resident. The Resident also authorizes the release of information to Baptist Homes concerning any pending Medicare or other governmental assistance program, from any federal, state or county agency which is considering the claim or administering such program.
9. Resident shall participate in such nursing care, diagnostic procedures and medical treatment as is necessary in the judgment of Baptist Homes for the health and safety of Resident and other Taylor Glen residents.

10. In the event Baptist Homes deems the Resident to be in need of emergency medical or surgical care requiring consent, and the Resident is unable to give consent, and attempts to contact Responsible Person or next of kin have failed, the Resident authorizes Baptist Homes to give such consent on the Resident's behalf. In such event, Baptist Homes shall use its best judgment under the circumstances and with the information then available. In the event that Baptist Homes exercises this authority to give or withhold consent, the Resident, and his or her heirs, estate and personal representative, release and hold harmless Baptist Homes and its agents for any exercise of this authority.
11. The rights and privileges of Resident under this Agreement to a Room, facilities, and services are personal to Resident and cannot be transferred or assigned by act of the Resident or the Responsible Party, if any, or by any proceeding at law, or otherwise. Except for occasional brief visits, subject to Taylor Glen rules and regulations, no person other than Resident may occupy the Room designated by this Agreement except with the written approval of Baptist Homes. Baptist Homes may assign this Agreement to any person who shall become the owner of Taylor Glen and who shall be appropriately licensed as necessary to perform this Agreement and who shall assume this Agreement in writing.
12. After Resident's execution of this Agreement, but prior to occupancy, the following procedure for termination of this Agreement shall apply:
  - a. If Resident for whatever reason terminates this Agreement by giving written notice to Baptist Homes within the first thirty (30) days after execution of this Agreement, Baptist Homes will refund all amounts paid on behalf of Resident. If such action is taken, the resident shall receive a full refund of any entrance fee paid. The resident is not required to move into the facility during the thirty (30) day automatic rescission period.
  - b. If Resident for whatever reason terminates this Agreement by giving thirty (30) days' written notice to Baptist Homes after the first thirty (30) days after execution of this Agreement, Baptist Homes will refund all amounts paid on behalf of Resident less five thousand dollars (\$5,000.00).
  - c. If Resident dies before occupying the Room, or if on account of illness, injury or incapacity, Resident would be precluded from occupying the Room under the terms of this Agreement, the Agreement is automatically canceled, and Baptist Homes will refund all amounts paid on behalf of Resident.
  - d. Refunds pursuant to this Paragraph 12 shall be paid by Baptist Homes within thirty (30) days of termination.
13. After Resident first occupies the Room and after the thirty (30) day rescission period, the following procedures for termination of this Agreement shall apply:

- a. Resident may voluntarily terminate this Agreement by giving fourteen (14) days' written notice to Baptist Homes and Baptist Homes will refund a pro-rated amount of the monthly service fee provided for in Paragraph 2 minus the charge for any nights Resident spent at Taylor Glen. Notwithstanding the preceding, however, the Resident or Responsible Party may be charged for the notice period if the notice is not given or Resident moves from Taylor Glen prior to expiration of the notice period, unless delay in discharge or transfer would jeopardize the health or safety of Resident or others at Taylor Glen in which case Resident may only be charged for nights spent at Taylor Glen. Any applicable refund of the monthly service fee will be made within fourteen (14) days of the date Taylor Glen receives the required notice or, if the Resident does not provide the required notice, the date the Resident leaves Taylor Glen.
- b. Except as otherwise provided in Paragraph 13(c), if Resident voluntarily terminates this Agreement pursuant to Paragraph 13(a), or if Resident dies after first occupying the Room, the Baptist Homes will refund an amount equal to the amortized remaining value of the Entrance Fee based on a twenty-four (24) month term. If Resident voluntarily terminates the Agreement or dies more than twenty-four (24) months after occupying the Room, no refund will be paid. Refunds pursuant to this Paragraph 13(b) shall be paid by Baptist Homes when Resident's Room is occupied by another Resident or within two (2) years of termination, whichever event occurs sooner.
- c. Resident and Responsible Party agree that if Resident's spouse is also becoming a resident of Taylor Glen pursuant to an Apartment Resident Agreement with Baptist Homes with an Entrance Fee of \$0, in consideration of such \$0 Entrance Fee and as additional consideration for this Agreement, the following procedures for termination of this Agreement shall apply:
  - i. If Resident voluntarily terminates this Agreement pursuant to Paragraph 13(a) or dies after first occupying the Room, the Baptist Homes will refund an amount equal to the amortized remaining value of the Entrance Fee based on a twenty-four (24) month term, provided that Resident's spouse has also died or voluntarily terminated his/her agreement with Baptist Homes in accordance with the terms of such agreement on or prior to Resident's date of death or voluntary termination of this Agreement. If Resident or Resident's spouse voluntarily terminates his/her respective agreement with Baptist Homes or dies more than twenty-four (24) months after Resident first occupies his or her Room, no refund will be paid.
  - ii. Refunds pursuant to Paragraph 13(c) shall be paid by Baptist Homes when Resident's and his/her spouse's Room or Apartment

Home is occupied by another Resident or within two (2) years of termination of the later of the Resident's or his/her spouse's agreement with Baptist Homes, whichever event occurs sooner.

14. Baptist Homes shall have the right to remove and store all property from a Room which has been vacated or remaining following a termination of this Agreement. Resident, Responsible Party, or Resident's estate, as applicable, shall be responsible for the costs of such storage and/or moving.
15. If at any time after Resident executes this Agreement Resident becomes incapable of assisted living, Resident's right to occupy an Assisted Living Room in Taylor Glen shall terminate. Resident shall be entitled to priority space in the Nursing Care Center if Baptist Homes concludes that the facility provides the level of care Resident's condition requires at the Nursing Care Center's then current rates; however, Resident shall not be required to pay an Entrance Fee for entry into the Nursing Care Center, unless Resident has not paid the full Entrance Fee under this Agreement in which case Resident must pay the balance of the applicable entrance fee to the appropriate Nursing Care Center. Priority shall mean that the Resident shall be entitled to space available ahead of others who are not residents of Taylor Glen. The right to make a determination of Resident's capability for assisted living and the need for alternative care shall be vested solely in Baptist Homes. In making the determination, Baptist Homes shall take into account the Resident's physical and mental condition, the Resident's ability to make a satisfactory social and behavioral adjustment to the Taylor Glen Community, the Resident's best interests, the best interests of other Taylor Glen residents and the effective operation of Taylor Glen. Baptist Homes shall consult with Responsible Party, if any, Resident's physician and next of kin or other personal representative, to the extent such consultation is feasible. If Taylor Glen does not have facilities that can provide the level of care Resident requires, Baptist Homes will cooperate and assist Resident in locating an appropriate facility for Resident.
16. If Resident incurs a permanent or long-term physical or mental impairment, illness or infirmity which in the opinion of the Director of Taylor Glen makes it impracticable or impossible for the Resident to properly function and have his or her needs met at Taylor Glen, Baptist Homes will discuss the matter thoroughly with Resident, Responsible Party, and the Resident's physician and undertake to reach agreement as to what should be done in the best interests of the Resident, taking into consideration the legitimate interest of other Residents and the effective operation of Taylor Glen. If no agreement can be reached, Baptist Homes decision on whether or not to terminate residency shall be final. If it is determined that the Resident may not remain, then the Resident shall be entitled to other accommodations or assistance as provided in Paragraph 15.

Should Resident or Responsible Party fail for any reason to timely comply with any of the obligations assumed by Resident or Responsible Party pursuant to this Agreement, Baptist Homes will provide written notice of such failure and will attempt to work with Resident, Responsible Party, or Resident's family to achieve

a consensual cure of such failure. If such cure is not achieved within thirty (30) days after written notice, however, Baptist Homes may at its option declare this Agreement terminated. Resident shall vacate the unit within thirty (30) days of receipt of notice of any such cancellation.

17. In the event Resident moves to some other form of residential or domiciliary care, charges of such care shall be borne by the Resident and Responsible Party, out of Resident's current and future assets and income (as certified to by the Resident on the Exhibit A attached to this Agreement).
18. If, at any time, Resident transfers to the Nursing Care Center and without regard to whether such care is at the Resident's election or the consequence of a determination by Baptist Homes that the Resident is no longer capable of assisted living:
  - a. Baptist Homes agrees:
    - i. To waive any additional entrance fees for admission to the Nursing Care Center.
    - ii. To assist Resident in obtaining the services of a physician if Resident's personal physician is not available and to obtain emergency services when required. All charges for services shall be at Resident's expense.
    - iii. To maintain written records of all financial transactions with Resident or responsible party, including records of funds or personal property held by Baptist Homes for safekeeping.
    - iv. As soon as available, to furnish room, board, nursing service and such basic services as may be required for the health, good grooming (exclusive of supplies) and well-being of Resident.
    - v. To assist (to the extent of the availability of personnel) in processing required forms for reimbursement for insurance and public assistance benefits but not to accept assignment thereof unless agreed to in advance.
    - vi. To provide required assistance in daily living. Should supportive equipment, such as wheelchair, walker or other special equipment be prescribed for a continued use or desired for such Resident, same must be supplied at the expense of Resident.
    - vii. Unless the Resident terminates this Agreement and vacates the Room to which this Agreement relates, at the time of or after a transfer to the Nursing Care, to hold the Room solely for



Resident's occupancy for sixty (60) days from the date of such transfer, during which time Resident will continue to pay the monthly fee for the Room in addition to charges for the higher level of care being received by the Resident. If such higher level of care continues for sixty (60) days or more, this Agreement shall automatically terminate and the Resident shall promptly vacate the Room. No refund shall be made to Resident at the time of termination under this Paragraph 18(a)(vii).

- viii. To arrange for the prompt transfer of Resident to a hospital upon Resident's physician's order, immediately notifying responsible party or next of kin.
  - ix. To administer such medication as may be prescribed, the cost of which shall be paid by Resident.
  - x. To provide appropriate recreational, social and religious programs.
  - xi. To furnish services as applicable to the Nursing Care Center facility of Taylor Glen as prescribed by applicable governmental regulations.
- b. Resident and Responsible Party agree:
- i. To provide complete information regarding Resident as requested and to authorize release of necessary information to appropriate agencies if requested.
  - ii. To pay all fees and charges described in this Agreement from Resident's current and future assets and income (as certified to by the Resident on the Exhibit A attached to this Agreement).
  - iii. To provide or be responsible for personal items of clothing, toiletries, and other personal property.
  - iv. To accept full responsibility for and absolve Baptist Homes, its personnel and attending physician of responsibility for any event, accident, or deterioration of medical condition while the Resident is away from and not under the direct care and supervision of the Nursing Care Center.
  - v. To authorize Baptist Homes to effect Resident's move from room to room for reasons involving nursing, compatibility and the convenience of Baptist Homes.

- vi. To abide by Baptist Homes' policies and regulations regarding visiting hours, the welfare of Resident and conduct of the Nursing Care Center operations.
  - vii. To pay all costs, expenses, and reasonable attorneys' fees, whether or not suit be brought, in the event same must be expended in the collection of any sums due and owing by Resident to Baptist Homes.
19. In case of injury to Resident by a third party, Baptist Homes shall have the right of subrogation for all its costs and expenses incurred by reason of such injury, and shall have the right, in the name of the Resident or otherwise, to take all necessary steps and procedures to enforce the payment of the same by the person responsible for such injury.
20. To facilitate the transaction of essential business in case of illness or disability, the Resident shall, prior to occupancy, grant a general durable power of attorney pursuant to the provisions of North Carolina Gen. Stat. § 32A-8 to a responsible relative or friend, maintain same for the duration of this Agreement, and provide Baptist Homes a recorded copy of the original and any amendments thereto.
21. Attached to this Agreement as Exhibit B, and incorporated herein as if fully set forth, is a Disclosure Statement prepared by Baptist Homes in accordance with North Carolina Gen. Stat. § 58-64-1 et seq. The Resident hereby acknowledges receipt of the Disclosure Statement.
22. Baptist Homes has provided, and the Resident hereby acknowledges receipt of the information listed in the checklist to this Agreement as Exhibit C.
23. Baptist Homes has an historical relationship to the Baptist State Convention of North Carolina. The Baptist State Convention of North Carolina is not responsible for the financial or contractual obligations of Baptist Homes.
24. The Resident and Responsible Party have read this Agreement, and understand its provisions. The Agreement constitutes the entire Agreement between Baptist Homes and the Resident and the Responsible Party and supersedes all prior negotiations, understandings, and agreements between them. Baptist Homes is not liable for nor bound in any manner by any statements, representations or promises made by any person representing or purporting to represent Baptist Homes unless such statements, representations or promises are set forth in this Agreement.
25. The rights of Resident are limited to those rights and privileges expressly granted by the terms of this Agreement. Taylor Glen or other Baptist Homes facilities, properties and revenues are or may be subject to a first deed of trust or serve as security for various financing arrangements. Certain legal rights of the lender,



County of \_\_\_\_\_

State of North Carolina

I certify that the following person personally appeared before me this the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: \_\_\_\_\_ [name of Resident].

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

\_\_\_\_\_  
(Official Signature of Notary)

(Official Seal)

\_\_\_\_\_, Notary Public  
(Print/Type Name)

My commission expires: \_\_\_\_\_.

\* \* \* \*

County of \_\_\_\_\_

State of North Carolina

I certify that the following person personally appeared before me this the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: \_\_\_\_\_ [name of Responsible Party].

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

\_\_\_\_\_  
(Official Signature of Notary)

(Official Seal)

\_\_\_\_\_, Notary Public  
(Print/Type Name)

My commission expires: \_\_\_\_\_.

\* \* \* \*

County of \_\_\_\_\_

State of North Carolina

I certify that the following person personally appeared before me this the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: \_\_\_\_\_ [Baptist Retirement Homes of North Carolina, Incorporated]

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

\_\_\_\_\_  
(Official Signature of Notary)

(Official Seal)

\_\_\_\_\_, Notary Public  
(Print/Type Name)

My commission expires: \_\_\_\_\_.

## ATTACHMENTS

### Resident Care / Assisted Living Agreement Gardens of Taylor Glen Retirement Community

- Exhibit A      Application(s) for Residency
- Exhibit B      Disclosure Statement
- Exhibit C      Documents or Information Provided to Residents & Acknowledgement of Receipt

EXHIBIT C

I, the undersigned Resident acknowledge receipt of the following documents or information from Baptist Retirement Homes of North Carolina, Incorporated:

1. Taylor Glen's price list, including ancillary services and chargeable medical supplies.
2. Taylor Glen's Continuing Care Retirement Community Disclosure Statement pursuant to N.C. Gen. Stat. § 58-64-20.
3. The North Carolina Adult Care Home Residents' Bill of Rights (N.C. Gen. Stat. § 131D-21).
4. The North Carolina Nursing Home Patients' Bill of Rights (N.C. Gen. Stat. § 131E-115 et seq.).
5. The following addresses and telephone numbers pursuant to N.C. Gen. Stat. §§ 131D-24 & 131E-120:

North Carolina Department of Health and Human Services  
Division of Health Service Regulation  
Adult Care Licensure Section  
Physical Address: 805 Biggs Drive, Raleigh, North Carolina 27603  
Mailing Address: 2708 Mail Service Center, Raleigh, North Carolina 27699-2708  
Telephone: (919) 855-3765

and

Cabarrus County Department of Social Services  
1303 South Canon Boulevard  
Kannapolis, North Carolina 28083  
Telephone: (704) 939-1400

6. The following address and telephone number pursuant to N.C. Gen. Stat. Ch. 58, Art. 64:

Steve Johnson  
Manager – Special Entities  
1203 Mail Service Center  
Raleigh, NC 27699-1203

North Carolina Department of Insurance  
Alternative Markets Division  
Special Entities Section  
1203 Mail Service Center  
Raleigh, North Carolina 27699-1203  
Telephone: (919) 807-6140

By: \_\_\_\_\_  
President  
Baptist Retirement Homes  
of North Carolina, Incorporated

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Responsible Party

County of \_\_\_\_\_

State of North Carolina

I certify that the following person personally appeared before me this the \_\_\_\_\_  
day of \_\_\_\_\_, 20\_\_\_\_, acknowledging to me that he or she voluntarily signed the  
foregoing document for the purpose stated therein and in the capacity indicated:  
\_\_\_\_\_ [name of Resident].

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

\_\_\_\_\_  
(Official Signature of Notary)

(Official Seal)

\_\_\_\_\_, Notary Public  
(Print/Type Name)

My commission expires: \_\_\_\_\_.

\* \* \* \*

County of \_\_\_\_\_

State of North Carolina

I certify that the following person personally appeared before me this the \_\_\_\_\_  
day of \_\_\_\_\_, 20\_\_\_\_, acknowledging to me that he or she voluntarily signed the  
foregoing document for the purpose stated therein and in the capacity indicated:  
\_\_\_\_\_ [name of Responsible Party].

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

\_\_\_\_\_  
(Official Signature of Notary)

(Official Seal)

\_\_\_\_\_, Notary Public  
(Print/Type Name)

My commission expires: \_\_\_\_\_.



# **ATTACHMENT VI**

## **Nursing Care Agreement**

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA, INCORPORATED**

**NURSING CARE AGREEMENT  
THE GARDENS OF TAYLOR GLEN RETIREMENT COMMUNITY**

This AGREEMENT, made in Concord, Cabarrus County, North Carolina between Baptist Retirement Homes of North Carolina, Incorporated, a non-profit corporation duly organized under the laws of the State of North Carolina, hereinafter referred to as "Baptist Homes," and \_\_\_\_\_, hereinafter referred to as "Resident," and \_\_\_\_\_, hereinafter referred to as "Responsible Party."

Resident has applied and been approved, subject to the terms of this Agreement for admission to a Nursing Care Bed at The Gardens of Taylor Glen Retirement Community in Concord, North Carolina ("Taylor Glen"), a continuing care retirement community which consists of Independent Living Apartment Homes, Assisted Living Apartments, and Nursing Care Beds. This admission directly to a Nursing Care Bed is allowed only when the Resident has lived in a non-Nursing Apartment at the time the Resident is admitted to a Nursing Care Bed or when the medical condition requiring nursing care was not known to exist or to be imminent when the Resident entered the continuing care contract.

All of the terms and conditions of this Resident Agreement are necessary for the comfort and security of the residents of Taylor Glen and for the proper operation of a retirement facility. All of the terms and conditions have been fully agreed upon by the parties.

Therefore, in consideration of the payment of the deposit defined below, and in further consideration of the mutual covenants and agreements herein cited, Baptist Homes, Resident and Responsible Party, the sufficiency of said consideration being hereby acknowledged, agree as follows:

1. Baptist Homes shall provide to the Resident room accommodations and services, which shall include the following: room, utilities (except private telephone), meals and snacks, daily housekeeping, linens and linen service, transportation for shopping, outings and local medical appointments (except ambulance fees), supplies for activities, nursing services (as appropriate to the Resident's needs), health insurance filing and follow-up, social work services, maintenance and repair service, library, recreation and worship facilities, and personal services normally provided to a Nursing Care Bed resident by Baptist Homes and needed for the Resident's health, safety, grooming and well-being. Baptist Homes shall also provide the Resident the opportunity to participate in the creative and life enrichment programs provided through Baptist Homes.
2. The Resident and Responsible Party, out of Resident's current and future assets and income (as certified to by the Resident on the Exhibit A attached to this Agreement), shall be responsible for payment to Baptist Homes for the charges for care described in Paragraph 1, above, which may be adjusted from time to

time by Baptist Homes. Resident agrees to pay a service fee of \$\_\_\_\_\_ per day, or such amount as may be established from time to time. These charges include the basic services described in Paragraph 1 above. The Resident shall be responsible for the payment of any additional items or services required by the Resident. If the Resident has occupied a Baptist Homes' Apartment, credit shall be given as provided in the Apartment Residency Agreement between the Resident, Responsible Party, and Baptist Homes.

3. The payment plan requires monthly payment of the charges described in Paragraph 2 of this Agreement together with the additional charges described as follows (the charges indicated for services are the current rates, but may be changed from time to time by Baptist Homes):

Laundry Service	\$ _____ per month
_____	_____
_____	_____
_____	_____

Charges for medical services rendered by the Baptist Homes' Medical Director or his staff, or for medications ordered by the physician through the Baptist Homes' pharmacy shall be billed directly to Medicare, or other third-party payor, with appropriate deductible, co-payment and/or non-covered charts.

\_\_\_\_\_ Billed directly to the patient by the doctor or pharmacy.

\_\_\_\_\_ Charged to the patient and payable to Baptist Homes

4. The Resident's Application for Residency is attached to this Agreement as Exhibit A and incorporated by reference herein. Resident and Responsible Party represent and warrant that Exhibit A is true, complete and accurate in all material respects. Resident and Responsible Party further certify the continuing accuracy and completeness of the factual representations contained in the application. Resident and Responsible Party understand and agree that the representations contained in the Application for Residency, and in particular the financial representations, were made by Resident and Responsible Party to induce Baptist Homes to enter into this Agreement. Any material misrepresentations or omissions in the Application for Residency shall render this Agreement voidable or terminable, including to the extent permitted by law the right to terminate the Resident's residency, at the option of Baptist Homes.

In addition, Resident and Responsible Party shall provide Baptist Homes an accurate and complete financial statement during the month of January in the year following admission as a Resident, and during each subsequent January, or at such intervals as Baptist Homes may request, for so long as residency continues.

Resident and Responsible Party agree to prudently conserve and maintain Resident's current and future income, resources, and assets in order to provide for payment of services to be provided by Baptist Retirement Homes under this Agreement or otherwise. Responsible Party expressly agrees to provide payment for all fees or charges incurred under this Agreement from Resident's income, resources, or assets. Resident and Responsible Party agree to provide Baptist Retirement Homes thirty (30) days prior written notice of any material transfer of Resident's income, assets or resources, including the creation of any trust, any material expenditure of Resident's income, assets, or resources, or any change in Responsible Party. Resident and Responsible Party shall promptly notify Baptist Homes of any material change in Resident's medical or financial condition, including but not limited to Resident's qualification for and intent to seek assistance from any public assistance benefit program. Resident and Responsible Party shall likewise promptly notify Baptist Homes of any change in Resident's Responsible Party.

Responsible Party further acknowledges and agrees that he or she will personally be subject to a claim of breach of contract and held liable for any resulting damage to Baptist Homes to the extent he or she participates in a breach of the covenant to prudently conserve and maintain Resident's income, assets, or resources or violates the covenant to provide prior written notice of a change in Resident's financial position or in the Responsible Party. In addition such breach by the Responsible Party of the covenant to prudently conserve or provide prior notice shall render this Agreement voidable or terminable, including to the extent permitted by law the right to terminate the Resident's residency, at the option of Baptist Homes. Resident or Responsible Party, as the case may be, agrees to require any successor responsible party to become a party to this Agreement.

5. Resident and Responsible Party agree:
- (a) To make timely payment of the charges described in Paragraphs 2 and 3 above from Resident's current and future assets and income (as certified to by the Resident on the Exhibit A attached to this Agreement).
  - (b) To assume responsibility for all of the Resident's medical, dental, and optical care costs, except appropriate nursing services, care items, and any other expenses or items listed in Paragraph 1, above.
  - (c) To pay the established prices for any optional services which the Resident chooses to have Baptist Homes provide, such as medical services.
  - (d) To give Baptist Homes thirty (30) days written, advance notice of intent to vacate the Resident's accommodations at Baptist Homes.

- (e) To comply with the policies, rules, and regulations adopted by Baptist Homes regarding the operation of and residence in Baptist Homes' facilities.
- (f) To pay to Baptist Homes the cost of repair for damages to property of Baptist Homes due to the negligence or willful conduct of the Resident of his or her guests. Resident and Responsible Party (with Resident's assets, income or resources) also agree to indemnify Baptist Homes for any claim, judgment, cost or fee, including reasonable attorney's fees, arising from injury to or damage to the property of any person or party caused by the negligence or intentional misconduct of Resident or Resident's guest.
- (g) To apply for and secure participation for Resident under Parts A and B of the Medicare Program.
- (h) To apply for and obtain supplementary health care insurance for the Resident with Blue Cross/Blue Shield or other mutually agreeable carrier, to supplement the benefits receivable under Medicare.
- (i) To apply for all federal, state, and local grants, aids, and benefits, including Medicare, which the Resident may be eligible for and entitled to; and to apply such funds if requested by Baptist Homes, and to the extent allowed by law, toward the charges for care under this Agreement.
- (j) To authorize, upon request of Baptist Homes, providers of medical and health services to receive reimbursement as provided under Medicare, Parts A and B.
- (k) To maintain and use so much of his or her current and future assets and income (as certified to by the Resident on the Exhibit A attached to this Agreement) as is necessary to discharge the Resident's financial obligation under this Agreement and in the manner required by Paragraph 4 above.
- (l) To assume responsibility for the Resident's own burial and funeral plans and expenses, and for the disposition of the Resident's personal property and belongings in the event of death. Baptist Homes shall have the right to remove and store all property from a unit which has been vacated or remaining following a termination of this Agreement. Resident, Responsible Party, or Resident's estate, as applicable, shall be responsible for the costs of such storage and/or moving.
- (m) To participate in such nursing care, diagnostic procedures and medical treatment as is necessary in the judgment of the Baptist Homes' Medical Director or his staff for the health and safety of the Resident and other Baptist Homes' residents.

6. Notwithstanding any other provision in this Agreement, to the extent services are provided under this Agreement for which the charges are payable in whole or in part through a government program such as Medicare, which payment is accepted by Baptist Homes, then the rates and methods of payment for such services shall be determined in accordance with the controlling laws and regulations.
7. It is understood and agreed upon that the Resident must retain the mental and physical condition to be able to adequately function in a Baptist Homes' Nursing Care Bed and must demonstrate a continuing medical need for nursing care. If Baptist Homes should determine that either of these conditions are not met by the Resident at any time after entering into this Agreement or if the Resident's needs should other wise warrant a move, then the Resident shall have priority access to other accommodations, as available, in the Baptist Homes' system which are appropriate to the level of care needed by Resident. Priority shall mean that the Resident shall be entitled to space available ahead of others who are not residents in this or other Baptist Homes' facilities. If Baptist Homes has no facilities or space available which can provide the level of care required by the needs of the Resident, Baptist Homes will provide full cooperation and assistance in locating an appropriate facility for the Resident.
8. If the Resident incurs a permanent or long term physical or mental impairment, illness, or infirmity which in the opinion of the Facility Administrator makes it impracticable or impossible for the Resident to properly function and have his or her needs met in a Baptist Homes Nursing Care Bed, Baptist Homes will discuss the matter thoroughly with the Resident, Responsible Party, and the Resident's physician and undertake to reach agreement as to what should be done in the best interests of the Resident, taking into consideration the legitimate interest of other Residents and the effective operation of the Baptist Homes facility. If no agreement can be reached, the Baptist Homes decision on whether or not to terminate residency shall be final. If it is determined that the Resident may not remain, then the Resident shall be entitled to other accommodations or assistance as provided in Paragraph 6 above.

Should Resident or Responsible Party fail for any reason to timely comply with any of the obligations assumed by Resident or Responsible Party pursuant to this Agreement, Baptist Homes will provide written notice of such failure and will attempt to work with Resident, Responsible Party, or Resident's family to achieve a consensual cure of such failure. If such cure is not achieved within thirty (30) days after written notice, however, Baptist Homes may at its option declare this Agreement terminated. Resident shall vacate the unit within thirty (30) days of receipt of notice of any such cancellation.

9. In the event the Resident moves to some other form of residential or domiciliary care, whether or not within the Baptist Homes' system, then charges of such care shall be borne by the Resident. If the Resident moves to another Baptist Homes'

facility, he or she shall do so under the then current agreement with Baptist Homes for the level of care to be provided, and shall pay for such care at the then current rates out of the Resident's own assets and income.

10. In the event Baptist Homes deems the Resident to be in need of emergency medical or surgical care requiring consent, and the Resident is unable to give consent, and attempts to contact Responsible Person or next of kin have failed, the Resident authorizes Baptist Homes to give such consent on the Resident's behalf. In such event, Baptist Homes shall use its best judgment under the circumstances and with the information then available. In the event that Baptist Homes exercises this authority to give or withhold consent, the Resident, and his or her heirs, estate and personal representative, release and hold harmless Baptist Homes and its agents for any exercise of this authority.
11. The Resident authorizes any medical care provider or other person in possession of medical records concerning the Resident to release such information to Baptist Homes without further authorization. The Resident further authorizes Baptist Homes to release such medical or other information as it has in its possession to any federal, state, or county governmental agency in connection with any pending claim on or on behalf of the Resident for Medicare or other governmental assistance program or to any insurance carrier in connection with any claim for medical insurance coverage of or on behalf of the Resident. The Resident also authorizes the release of information to Baptist Homes concerning any pending Medicare or other governmental assistance program from any federal, state or county agency which is considering the claim or administering such program.
12. After Resident's execution of this Agreement, but prior to occupancy, the following procedure for termination of this Agreement shall apply:
  - a. If Resident for whatever reason terminates this Agreement by giving written notice to Baptist Homes within the first thirty (30) days after execution of this Agreement, Baptist Homes will refund all amounts paid on behalf of Resident. If such action is taken, the resident shall receive a full refund of any entrance fee paid. The resident is not required to move into the facility during the thirty (30) day automatic rescission period.
  - b. If Resident for whatever reason terminates this Agreement by giving thirty (30) days' written notice to Baptist Homes after the first thirty (30) days after execution of this Agreement, Baptist Homes will refund all amounts paid on behalf of Resident less five thousand dollars (\$5,000.00).
  - c. If Resident dies before occupying the Room, or if on account of illness, injury or incapacity, Resident would be precluded from occupying the Room under the terms of this Agreement, the Agreement is automatically canceled, and Baptist Homes will refund all amounts paid on behalf of Resident.

- d. Refunds pursuant to this Paragraph 12 shall be paid by Baptist Homes within thirty (30) days of termination.
13. After Resident first occupies the Room and after the thirty (30) day rescission period, the following procedures for termination of this Agreement shall apply:
    - a. Resident may voluntarily terminate this Agreement by giving fourteen (14) days' written notice to Baptist Homes and Baptist Homes will refund a pro-rated amount of the monthly service fee provided for in Paragraph 2 minus the charge for any nights Resident spent at Taylor Glen. Notwithstanding the preceding, however, the Resident or Responsible Party may be charged for the notice period if the notice is not given or Resident moves from Taylor Glen prior to expiration of the notice period, unless delay in discharge or transfer would jeopardize the health or safety of Resident or others at Taylor Glen in which case Resident may only be charged for nights spent at Taylor Glen. Any applicable refund of the monthly service fee will be made within fourteen (14) days of the date Taylor Glen receives the required notice or, if the Resident does not provide the required notice, the date the Resident leaves Taylor Glen.
    - b. Except as otherwise provided in Paragraph 13(c), if Resident voluntarily terminates this Agreement pursuant to Paragraph 13(a), or if Resident dies after first occupying the Room, the Baptist Homes will refund an amount equal to the amortized remaining value of the Entrance Fee based on a sixty (60) month term. If Resident voluntarily terminates the Agreement or dies more than sixty (60) months after occupying the Room, no refund will be paid. Refunds pursuant to this Paragraph 13(b) shall be paid by Baptist Homes when Resident's Room is occupied by another Resident or within two (2) years of termination, whichever event occurs sooner.
  14. Baptist Homes has an historical relationship to the Baptist State Convention of North Carolina. The Baptist State Convention of North Carolina is not responsible for the financial or contractual obligations of Baptist Homes.
  15. Baptist Homes has provided, and the Resident hereby acknowledges receipt of the information listed in the checklist attached to this Agreement as Exhibit B.
  16. The rights of Resident are limited to those rights and privileges expressly granted by the terms of this Agreement. Taylor Glen or other Baptist Home's facilities, properties, and revenues are or may be subject to a first deed of trust or serve as security for various financing arrangements. Certain legal rights of the lender, including any right of foreclosure in the event of default, are superior to the rights and privileges granted the Resident by this Agreement.
  17. This agreement is not assignable, in whole or in part, by the Resident or Responsible Party. This Agreement shall bind and inure to the benefit of the



successors and assigns of Baptist Retirement Homes and the heirs, executors and administrators of Resident as well as any successor Responsible Party.

18. If there is a final determination by appropriate legal authorities that any portion of this Agreement conflicts with or is inconsistent with state or federal law or regulation applicable to Baptist Homes, the Resident and/or the services covered by this Agreement, such law or regulation shall control the relationship between Baptist Homes and the Resident in lieu of any portion of this Agreement as to which there has been such a final determination.
19. In the event any provision of this Agreement is determined by appropriate legal authorities to be in conflict with any state or federal law or regulation, that provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.
20. The Resident and Responsible Party have read this Agreement and understand its provisions. This Agreement constitutes the entire Agreement between Baptist Homes and the Resident and Responsible Party and supersedes all prior negotiations, understandings, and agreements between them.

This the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Witness Resident (SEAL)

\_\_\_\_\_  
Witness Attorney-in-fact for Resident (SEAL)

Attorney-in-fact for \_\_\_\_\_ (RESIDENT)  
pursuant to that certain Power Of Attorney/Responsible Party dated \_\_\_\_\_ and  
recorded in the \_\_\_\_\_ County Register of Deeds at Book \_\_\_\_\_, Page  
\_\_\_\_\_.

\_\_\_\_\_  
Witness Responsible Party (individually and not as  
personal representative of Resident) (SEAL)

BAPTIST RETIREMENT HOMES  
OF NORTH CAROLINA, INCORPORATED

By: \_\_\_\_\_  
President

County of \_\_\_\_\_

State of North Carolina

I certify that the following person personally appeared before me this the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: \_\_\_\_\_ [name of Resident].

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

\_\_\_\_\_  
(Official Signature of Notary)

(Official Seal)

\_\_\_\_\_, Notary Public  
(Print/Type Name)

My commission expires: \_\_\_\_\_.

\* \* \* \*

County of \_\_\_\_\_

State of North Carolina

I certify that the following person personally appeared before me this the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: \_\_\_\_\_ [name of Attorney-in-fact for Resident].

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

\_\_\_\_\_  
(Official Signature of Notary)

(Official Seal)

\_\_\_\_\_, Notary Public  
(Print/Type Name)

My commission expires: \_\_\_\_\_.

\* \* \* \*

County of \_\_\_\_\_

State of North Carolina

I certify that the following person personally appeared before me this the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: \_\_\_\_\_ [name of Responsible Party].

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

\_\_\_\_\_  
(Official Signature of Notary)

(Official Seal)

\_\_\_\_\_, Notary Public  
(Print/Type Name)

My commission expires: \_\_\_\_\_.

\* \* \* \*

County of \_\_\_\_\_

State of North Carolina

I certify that the following person personally appeared before me this the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: \_\_\_\_\_ [Baptist Retirement Homes of North Carolina, Incorporated].

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

\_\_\_\_\_  
(Official Signature of Notary)

(Official Seal)

\_\_\_\_\_, Notary Public  
(Print/Type Name)

My commission expires: \_\_\_\_\_.

## ATTACHMENTS

### Nursing Care Agreement The Gardens of Taylor Glen Retirement Community

Exhibit A Application for Residency

Exhibit B Documents or Information Provided to Residents & Acknowledgement of Receipt

EXHIBIT B

I, the undersigned Resident, acknowledge receipt of the following documents or information from Baptist Retirement Homes of North Carolina, Incorporated:

1. Baptist Retirement Homes price list, including ancillary services and chargeable medical supplies.
2. Resident Rights under Medicare/Medicaid Federal Register – February, 1989.
3. The North Carolina Nursing Home Patients' Bill of Rights (N.C. Gen. Stat. § 131E-115 et seq.).
4. The following addresses and telephone numbers pursuant to N.C. Gen. Stat. §§ 131D-24 and 131E-120;

North Carolina Department of Health and Human Services  
Division of Facility Services  
Licensure and Certification Branch  
701 Barbour Drive  
P.O. Box 29530  
Raleigh, North Carolina 27626-0530  
Telephone: (919) 733-5794  
(800) 662-7030, Ext. 32786

and

Cabarrus County  
Department of Social Services  
1303 South Cannon Boulevard  
Kannapolis, North Carolina 28083  
Telephone: (704) 939-1400

5. The following address and telephone number pursuant to N.C. Gen. Stat. Ch. 58, Art. 64;

Steve Johnson  
Manager – Special Entities  
1203 Mail Service Center  
Raleigh, NC 27699-1203

North Carolina Department of Insurance  
Alternative Markets Division  
Special Entities Section  
1203 Mail Service Center  
Raleigh, NC 27699-1203  
Telephone: (919) 807-6140

By:

\_\_\_\_\_  
President  
Baptist Retirement Homes  
of North Carolina, Incorporated

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Attorney-in-fact for Resident pursuant to  
that certain Power of Attorney dated  
\_\_\_\_\_ and recorded in the  
\_\_\_\_\_ County Register of Deeds  
at Book \_\_\_\_\_, Page \_\_\_\_\_

County of \_\_\_\_\_

State of North Carolina

I certify that the following person personally appeared before me this the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: \_\_\_\_\_ [name of Resident].

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

\_\_\_\_\_  
(Official Signature of Notary)

(Official Seal)

\_\_\_\_\_, Notary Public  
(Print/Type Name)

My commission expires: \_\_\_\_\_.

\* \* \* \*

County of \_\_\_\_\_

State of North Carolina

I certify that the following person personally appeared before me this the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: \_\_\_\_\_ [name of Attorney-in-fact for Resident].

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

\_\_\_\_\_  
(Official Signature of Notary)

(Official Seal)

\_\_\_\_\_, Notary Public  
(Print/Type Name)

My commission expires: \_\_\_\_\_.



# **ATTACHMENT VII**

## **Life Expectancy Table**

## LIFE EXPECTANCY IN YEARS

<u>AGE</u>	<u>MALE</u>	<u>FEMALE</u>
60	24.60	27.40
61	23.70	26.50
62	22.90	25.60
63	22.10	24.80
64	21.30	23.90
65	20.40	23.00
66	19.60	22.20
67	18.90	21.30
68	18.10	20.50
69	17.30	19.60
70	16.60	18.80
71	15.90	18.00
72	15.20	17.20
73	14.50	16.40
74	13.80	15.60
75	13.20	14.90
76	12.50	14.10
77	11.90	13.40
78	11.30	12.70
79	10.80	12.00
80	10.20	11.30
81	9.70	10.70
82	9.20	10.10
83	8.70	9.50
84	8.20	8.90
85	7.80	8.40
86	7.30	7.90
87	6.90	7.40
88	6.50	6.90
89	6.20	6.50
90	5.80	6.10
91	5.50	5.70
92	5.20	5.40
93	4.90	5.10
94	4.60	4.80
95	4.30	4.50
96	4.10	4.20
97	3.80	4.00
98	3.60	3.80
99	3.40	3.50
100	3.10	3.30

# **ATTACHMENT VIII**

**October 2018 –  
December 2018  
Interim Financial  
Statements  
(Unaudited)**

Baptist Retirement Homes of North Carolina, Incorporated  
Balance Sheets  
December 31, 2018

Un-Audited  
12/31/18

Assets	
<b>Current Assets</b>	
Cash & Cash Equivalents	\$7,908,864
Resident Accounts Receivable, Net of All	1,218,875
Investments	40,776,481
Contributions Receivable	16,097
Prepaid Expenses and Other Current Assets	289,742
	-----
Total Current Assets	50,210,059
<b>Assets Whose Use is Limited</b>	
Internally Designated for Capital Development	991,656
Internally Designated for Statutory Operating Reserve	7,579,541
Restricted Under Debt Agreements	3,152,822
	-----
Total Assets Whose Use is Limited	11,724,019
<b>Investments, Deferred Costs and Other Assets</b>	
Charitable Remainder Trusts	1,049,574
Beneficial Interest in Perpetual Trusts	6,869,902
Other Assets	72,716
	-----
Total Investments, Deferred Cost and Other Assets	7,992,192
Property and Equipment, Net	48,543,201
	-----
Total Assets	\$118,469,471
	=====
<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>	
Current Maturities of Long-Term Debt	\$2,872,405
Accounts Payable	555,963
Accrued Expenses	222,458
Accrued Employee Compensation	1,277,149
Other Current Liabilities	45,337
Current Portion of Refundable Fees	155,120
	-----
Total Current Liabilities	5,128,432
Long-Term Debt, Less Current Maturities	32,321,702
<b>Deferred Revenue and Other Liabilities</b>	
Deferred Revenue	10,236,853
Refundable Advance Fees on Occupied Units	2,326,786
	-----
	12,563,639
	-----
Total Liabilities	50,013,773
<b>Net Assets</b>	
Unrestricted	42,929,002
Temporarily Restricted	11,753,801
Permanently Restricted	13,772,895
	-----
Total Net Assets	68,455,698
	-----
Total Liabilities and Net Assets	\$118,469,471
	=====

**Baptist Retirement Homes of North Carolina, Incorporated****Statement of Operations****Consolidated****For the Three Months Ending December 31, 2018****Page 1 of 2****Un-Audited****Resident Services Revenue**

Medicare	\$362,730.00
Medicaid	972,125.68
Special Assistance	67,260.30
Commercial Insurance	111,870.00
Private Pay	5,046,827.68
Ancillary Operating Revenue	806,816.57
Other Revenue	870.99

---

**Total Resident Services Revenue** **7,368,501.22****Less: Contractual Adjustments**

Medicare Contractual Adjustment	(316,496.05)
Medicaid Contractual Adjustment	(553,683.14)
Commercial Insurance Contractual Adjustment	(170,931.68)
Private Pay Contractual Adjustment	(243,522.98)
Benevolent Care	(155,492.91)

---

**Total Contractual Adjustments** **(1,440,126.76)**

---

**Net Resident Services Revenue** **5,928,374.46****Non Operating Revenue**

Deferred Revenue Earned - Entrance Fees	653,691.99
Grants - Trust - Estates	31,103.77
Church Gifts	131,660.30
Interest Income	4,200.08
Investment Income	934,771.47
Realized Gains and Losses on Investment	886,748.57
Unrealized Gains and Losses	(6,988,337.24)
Other Income	22,575.43

---

**Total Non-Operating Revenue** **(4,323,585.63)**

---

**Total Revenue** **\$1,604,788.83**

Baptist Retirement Homes of North Carolina, Incorporated

Statement of Operations

Consolidated

For the Three Months Ending December 31, 2018

Page 2 of 2

Un-Audited

**Operating Expenses**

**Salary, Wages, & Benefits**

Salary, Wages, & Benefits-Resident Care	\$1,970,769.48
Salary, Wages, & Benefits-Dietary	449,656.67
Salary, Wages, & Benefits-Facility Service	571,739.09
Salary, Wages, & Benefits-Administration	737,700.06

---

**Total Salary, Wages, & Benefits** **3,729,865.30**

Contract Services	528,768.57
Food	260,153.56
Medical Supplies and Other Ancillary Services	151,189.57
Insurance	90,907.72
Leases & Minor Equipment	28,875.41
Auto & Travel	18,468.00
Repairs & Maintenance	203,722.43
Telephone	42,183.41
Utilities	293,014.99
Professional Fees	79,962.28
Office & Other Supplies	30,816.11
Paper Products	22,795.29
Chemicals	17,591.28
Advertising	87,762.01
Other Expenses	152,638.71
Provision for Bad Debt	13,333.34

---

**Total Operating Expenses** **5,752,047.98**

---

**Net Income from Operations** **(4,147,259.15)**

Interest Expense	400,724.37
Depreciation & Amortization	874,362.90

---

**Net Income/(Loss)** **(5,422,346.42)**

---

**BAPTIST RETIREMENT HOMES OF NORTH CAROLINA, INCORPORATED**

**STATEMENT OF CASH FLOWS**

**For The Three Months Ended December 31, 2018**

	<u>Un-Audited</u> <u>12/31/18</u>
Cash Flows From Operating Activities	
Increase (decrease) in net assets	\$ (5,422,346)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities and nonoperating gains and losses:	
Depreciation	874,363
Net unrealized (gains) / losses	6,988,337
Net Realized (gains) / losses	(886,749)
Change in unrealized (gains) / losses on beneficial interest in perpetual trusts	214,636
Amortization of deferred revenue from advance fees	(653,692)
Amortization of deferred costs	18,589
Advance fees received (Net of Refunds)	373,890
Obligation to provide future services	
Change in assets and liabilities:	
(Increase) decrease in:	
Resident accounts receivable	(4,797)
Contributions receivable	114,325
Charitable remainder trust	2,629
Prepaid expenses and other current assets	81,617
Other assets	18,875
Increase (decrease) in:	
Accounts payable, accrued expenses, accrued compensation, and other current liabilities	(25,896)
 <b>Net cash provided by operating activities and nonoperating gains and losses</b>	 <b><u>1,693,781</u></b>
Cash Flows From Investing Activities	
(Increase) decrease in Investments	(837,424)
(Increase) decrease in cash restricted under debt agreements	92,252
Payments for property and equipment	(343,746)
<b>Net cash provided in investing activities</b>	<b><u>(1,088,918)</u></b>
Cash Flows From Financing Activities	
Provided (Used) from issuance of long-term debt	-
Payments of long-term debt	(695,703)
Current Maturities on Long-term Debt	
<b>Net cash provided in financing activities</b>	<b><u>(695,703)</u></b>
 <b>Net increase (decrease) in cash and cash equivalents</b>	 <b>(90,840)</b>
Cash and cash equivalents:	
Beginning	<u>7,999,704</u>
Ending	<u><u>\$ 7,908,864</u></u>