



Lutheran Retirement Ministries of Alamance County, North Carolina

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

Annual Disclosure Statement February 27, 2019

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

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

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

DISCLOSURE STATEMENT

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HISTORY, MISSION and CORE VALUES

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

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

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

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

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

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

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

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

NON-PROFIT STATUS

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

LICENSURE AND CERTIFICATION

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

AFFILIATIONS

LRM is an affiliated agency of the Evangelical Lutheran Church in America through the sponsoring congregation, Macedonia Evangelical Lutheran Church. However, church-affiliated status does not cause any Lutheran church body to be subjected to the liabilities or debts of the corporation, nor does it enable any Lutheran organization to influence or control the operation of the facilities of LRM. LRM is fully responsible for the management and fiscal affairs of the corporation and solely responsible for any debts and liabilities it may incur. LRM is also a member of Lutheran Services in America (LSA), Leading Age and its affiliate, Leading Age - North Carolina.

ACCREDITATION

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

FINANCIAL RATING

The Fitch rating agency has assessed LRM's debt rating at A-.

ORGANIZATION AND OPERATION

BOARD OF DIRECTORS

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

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

BOARD MEMBER BIOGRAPHIES

- **Christine B. Beh** (336) 395-8331 Home
3817 Asbury Court, Burlington, NC 27215

Resident of Twin Lakes Community; retired preschool owner and director; served in the Nursery and Kindergarten Association as president and in the National Association for the Education of Young Children on committee establishing licensing standards for daycare centers; member of Rotary Club, Association of Junior Leagues, and served on board of trustees of Peninsula Methodist Retirement Communities; member of Presbyterian Church.

- **Ned A. Cline** (336) 447-4247 Home
2601 Passavant Court, Burlington, NC 27215

Resident of Twin Lakes Community; retired journalist and biographer; adjunct professor, UNC Greensboro; contributing editor for Business North Carolina magazine; writer and consultant for National Paideia Center; Greensboro Historical Museum Board Chair; UNCG Friends of Library

Board Chair; NC Public Policy Board Chair; and member of the Lutheran Church.

- **Jackie S. Cole** (919) 563-3554 Home
1257 Tula Lambert Road, Mebane, NC 27302

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

- **David H. Cooper** (336) 675-0824 Home
120 Old Forest Creek, Chapel Hill, NC 27514

Retired Professor, Elon University; serves as Policy Advisor for BEST-NC; previously served on LRM Board of Directors and its Strategic Planning Committee and continues to be an active member of the TLC Learning Circles Planning Committee and presenter at Leading Age NC.

- **Spencer T. Copland** (336) 449-9848 Work
1203 Country Club Drive, Greensboro, NC 27408

Attending physician/partner, LeBauer Healthcare; volunteer team physician, Eastern Guilford High School; former faculty and current volunteer faculty, Cone Health Sports Medicine; member, American Board of Family Practice, NC Academy of Family Physicians, American Medical Society for Sports Medicine, and American College of Sports Medicine; serves on Board of Directors, Copland Fabrics and Copland Industries, Inc.; member of First Presbyterian Church, Greensboro.

- **Roslyn M. Crisp** (336) 524-0383 Home
513 Meadowood Drive, Burlington, NC 27215

Dentist; member of Alamance-Caswell Dental Society, North Carolina Dental Society, American Dental Association, Old North State Dental Society, NDA, NC Society of Dentistry for Children, American Academy of Dentistry for Children; member of Delta Sigma Theta Sorority, Inc.; serves on Alamance Community College Board of Directors.

- **Susan C. Ezekiel** (336) 532-8725 Work
P. O. Box 387, Graham, NC 27253

Certified Public Accountant, managing partner of Cobb, Ezekiel, Loy & Company, P.A.; Tax Committee member of North Carolina Association of CPAs; Member American Institute of Certified Public Accountants; Member of Elon University Accounting Advisory Board; Member of the Alamance Community College Accounting Advisory Committee; Treasurer and Board member of Faith Christian Academy, Inc.; Member Gibsonville United Methodist Church.

- **Anthony E. Foriest** (336) 227-3011 Home
2211 Quail Drive, Graham, NC 27253

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

- **Jill M. Gerringer** (336) 264-0730 Mobile
3246 Van Drive, Burlington, NC 27215

Physical Therapist, BS & MS in physical therapy, Thomas Jefferson University, PA, Doctorate of Physical Therapy, University of New England; certified Pound Pro instructor; volunteer, Hope Clinic, Elon University; member of Alamance Lutheran Church where she served on the Church Council and serves as Financial Secretary.

- **K. Dale Greeson** (336) 227-2022 Work
P. O. Drawer 2858, Burlington, NC 27216

Certified Public Accountant, partner in Apple, Bell, Johnson & Company, P.A.; Board Member and Past Chairman for Salvation Army Boys & Girls Club; member of AICPA and NCACPA; serves on the board of the Burlington Downtown Corporation; serves on the Alamance Community College Foundation board; member of the Rotary Club of Alamance; served on board of the Chamber of Commerce; member of Macedonia Lutheran Church, currently serving on the Stewardship Committee.

- **Joy F. Isley** (336) 506-2789 Work
7104 Howerton Road, Gibsonville, NC 27249

Customer Service Representative, Fidelity Bank; Secretary, Lutheran Retirement Ministries Board; President, Lutheran Episcopalians And Friends (LEAF) - Elon University campus ministry; Treasurer, NC Palomino Exhibitors Association; member of Frieden's Lutheran Church; Treasurer, Friedens Lutheran Church Endowment.

- **Ruth P. Koester** (336) 524-9060 Home
512 Meadowood Drive, Burlington, NC 27215

Technical Director at LabCorp, DNA Identification Testing Division; member of American Society of Histocompatibility and Immunogenetics; member of World Marrow Donor Association; 2017 Leadership Alamance alumna; current member and past President of Women's Resource Center Board; Past President of local chapter of Thrivent Financial for Lutherans; member of Alamance Lutheran Church.

- **Reed A. LaPlante** (336) 222-8058 Home
1849 Hanford Hills Road, Graham, NC 27253 (336) 266-2828 Work

Business Banking Team Lead - Piedmont Triad, Vice President, First National Bank; Past-President and current member: Graham Rotary Club; Rotary Dist. 7690 Family of Rotary Chair; Boy Scouts of America Eagle Board, Alamance; Elon Phoenix Club board member; member of Macedonia Lutheran Church, Endowment Committee Treasurer; Elon MBA; and Leadership and Workforce Development Chair for Alamance Chamber of Commerce.

- **Robert M. Lewis, CCIM, SIOR** (336) 214-1799 Work
3005 South Church Street Burlington, NC 27215

Real Estate Broker/Owner Robert M. Lewis & Associates, Inc.; Licensed independent contractor with NAI Piedmont Triad Commercial; Past Board member, President and Program Chair for Alamance-Burlington Realtors Commercial Alliance; NC Association of Realtors - served on Board of Governors, Past Chair and Vice Chair - Leadership North Carolina Inaugural Class; served on CCIM Institute's National Board of Directors and in multiple local and state leadership roles; Eagle Scout and served in many advisory and leadership roles including District Chair, Vice Chair and Council Commissioner; member of First Presbyterian Church in Burlington where he has served as Elder, Deacon and Chair of several committees.

- **C. Bryan Pennington** (336) 584-8514 Home
2286 Huffman Mill Road, Burlington, NC 27215

President, Pennington & Bryan, Inc., Textile Selling Agent / Importer; member of Macedonia Lutheran Church, serving on Church Council and as President of Macedonia Lutheran Men in Mission and President of the Men's Sunday School Class.

- **James K. Roberson** (336) 380-5665 Home
2017 Shirley Drive, Burlington, NC 27215

Retired Senior Superior Court Judge; member of steering committee, Piedmont Men of Steel; member of Alamance County Bar Association, NC State Bar, Conference of Superior Court Judges; former member of LRM Board.

- **Raghu Tadepalli** (781) 697-0047 Home
1010 Mill Pointe Way, Elon, NC 27244

Dean and Professor of Marketing, Martha Spencer Love School of Business, Elon University; member of the Alamance Chamber of Commerce Board of Directors.

- **Melanie Thomas** (336) 228-8703 Home
1227 Geneva Albright Road, Graham, NC 27253

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

- **Danny C. Van Fleet**
104 Oakview Drive, Elon, NC 27244

(336) 263-2505 Home

Tax Collector for the City of Burlington; Certified Public Accountant; member of North Carolina Association of CPAs; member of Macedonia Lutheran Church where he serves on the finance committee and as General Fund Treasurer.

- **Daniel J. Voelkert**
208 Woodhaven Drive, Burlington, NC 27217

(336) 260-9307 Home

Retired Claims Representative, Social Security Administration; Past President Andrews Elementary PTA; Cummings High School band booster; serves on the NC Lutheran Synod Committee on the Book of Faith initiative to promote Biblical literacy; member of Macedonia Lutheran Church, served on Church Council, chairman of Christian Education committee, Sunday school teacher.

- **James N. Wilkes**
2703 Whitefield Court, Burlington, NC 27215

(336) 446-0678 Home

Resident of Twin Lakes Community; Retired engineer with The Dow Chemical Co.; member Tau Beta Pi; former member AIChE, CMA, Miss. State Univ. Engineering Advisory Committee; community outreach volunteer for Lanes of Lights, Gardener's Sharing Project, Auxiliary Estate Sale, Allied Churches of Alamance County, Meals on Wheels, and Alamance Arts; member of Front Street United Methodist Church.

MANAGEMENT

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

Pamela Sarsfield Fox. President/Chief Executive Officer.

An attorney and certified public accountant, she obtained her undergraduate degree from the University of Virginia and her law degree from Washington and Lee University. Prior to joining the Twin Lakes staff in 2008, she spent twenty years practicing law as an estate planning attorney and providing wealth management services to affluent clients of a wealth management firm in Greensboro, North Carolina. Fox has volunteered for numerous professional, civic and church organizations in Burlington, Greensboro, and elsewhere in North Carolina. Currently she serves on the boards of New Leaf Society, United Way, and the Anatomical Gift Program at Elon University. In addition, she has held board positions with the NC Bar Association, the NCACPA, Lutheran Retirement Ministries and other not-for-profit organizations.

Brent Conklin. Chief Financial Officer.

Graduated from Appalachian State University in 1999 with a BSBA degree in Accounting. Received his CPA Certificate in 2003. He has over seventeen years' experience in accounting which includes eight years in public practice auditing various CCRC's, not-for-profits, manufacturing companies and auto dealerships all over the US. The past 9 years Conklin has worked in private industry for large multi-national manufacturing companies in various finance leadership roles. Member of the American Institute of Certified Accountants, North Carolina Association of Certified Public Accountants and is a Chartered Global Management Accountant. Conklin also serves as the treasurer of his church in Gibsonville, North Carolina and has served on several not-for-profit boards in Gibsonville and Chapel Hill.

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

Earned BS degree in Business Administration, Appalachian State University with a double major in marketing and management. Additionally, Thomas earned two certifications that include Senior Professional of Human Resources (SPHR) and SHRM – Senior Certified Professional (SHRM-SCP). She has volunteered for several professional, civic and church organizations in Gibsonville, Burlington, and Greensboro, North Carolina. Thomas has spent the past 16 years in recruitment, staffing, and employment relations, working in both Burlington and Greensboro. She joined the Twin Lakes Community staff as its second Human Resources Officer in 2016 and currently serves on the boards of Hospice of Alamance/Caswell and Alamance County Human Resources Association.

J. Patrick Harrison. Administrator, The Lakes Independent Living.

A native of southeastern North Carolina, Patrick Harrison graduated from the University of North Carolina at Pembroke in 2004 with a B.S. in marketing. He was also awarded two additional Associate degrees in Banking and Finance and Business Administration from Southeastern Community College in 2002. Following studies at the University of North Carolina at Chapel Hill he became a Licensed Nursing Home Administrator for North Carolina in 2005. Harrison joined Twin Lakes as the Assisted Living Administrator in 2007 and is currently the Administrator for all areas of independent living, maintenance, grounds, and security. Harrison is also a Certified Aging Services Professional.

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

Hobbs hails from Guilford County, having stayed close to home, graduated from The University of North Carolina at Chapel Hill in 1994 with a B.A. in Recreation and Leisure Studies with a concentration in Therapeutic Recreation. Hobbs has worked with older adults since 1994. She joined the Twin Lakes team in 1998 serving first as the Independent Living Activities Director; transitioning to Admissions Coordinator for both Coble Creek and Deacon Pointe; and growing into the position of IL Resident Services Coordinator. Hobbs earned her Nursing Home Administrator license in October 2017 and is currently the Administrator for Deacon Pointe Assisted Living.

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

A native of Alamance County, Cook graduated from Appalachian State University in 2004 with a B.S. in Sociology with a concentration in Gerontology. Cook received a Master of Arts degree in Gerontology with a focus in Administration from Appalachian State University in 2006 and joined

Twin Lakes Community in 2007. Licensed in the state of North Carolina as a Nursing Home Administrator and Assisted Living Administrator, she currently serves as the Administrator for Coble Creek Healthcare and Rehabilitation. Cook also coordinates the CARF-CCAC accreditation and risk management processes campus wide. Cook currently serves on the board of American Red Cross Piedmont Carolina Chapter and previously served as Chair of the Alamance County Walk to End Alzheimer's.

Tara Patton Kepley. Administrator, Moneta Springs Memory Care.

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

Kathy Fletcher. Sales and Marketing Director.

A lifelong resident of Burlington, Fletcher attended Alamance Community College and Elon College. She joined Twin Lakes Community staff in 2002 as Sales Associate and was promoted to Senior Director of Sales and Marketing in 2007. Fletcher is a Certified Aging Services Professional, Certified Aging-in-Place Specialist, and a Leadership Alamance graduate. She has served on the Interagency Council for the Aging, Planning Committee for Services to Elderly, and United Way Community Council.

Mark W. Menees. Pastoral Care Services Director.

Menees holds degrees in Philosophy, Biblical Language and Early Christian Literature, is a graduate from Southern Methodist University's Program in Spiritual Direction, and is a Certified Spiritual Director. He received a certificate in Nursing Home Administration from UNC-Chapel Hill. Menees is an ordained Anglican Priest with special interest in pastoral care and spiritual issues among an aging population. He currently serves on the Board of the Salvation Army for Burlington-Alamance County. He is also a Master Instructor in Tae Kwon Do.

Laura McDaniel. Director of Resident and Community Resources.

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

Michael Cain. Wellness Director.

A native of Manitou Springs, Colorado, Cain holds a degree in Exercise and Sport Science from Colorado State University. Inspired by the healthcare providers and trainers who aided him following football injuries, he decided to pursue a career in health and wellness. Cain began as a personal trainer and eventually opened his own personal training business. His studio was located

in the heart of a well-known retirement community in San Diego and his focus became centered on senior fitness and wellness programs. He has over 25 years of experience in health and wellness and has developed well-rounded fitness programs for all walks of life. His specialties include corrective exercise for muscular imbalances and holistic approaches to wellness. He has been certified by National Academy of Sports Medicine in Advanced Level Personal Training, by APEX Fitness as a FIT PRO in Senior Fitness and by the American Council on Exercise as a Corrective Exercise Specialist. Cain began his work with the residents and staff of Twin Lakes in 2011.

Sidney O. Becker. Executive Assistant.

A native of Richmond, Virginia, Becker attended Virginia Tech. Her early career path included retail positions as corporate buyer and store manager. Later she was employed by the county police department as a deputized safety officer, providing school safety and training programs for children while also working as administrative assistant in uniformed operations with 250 officers. Her family moved to North Carolina, and she was employed by Twin Lakes in 1993. Becker has been in her current position since 1998 working closely with the board and management and currently serves as chair of the Leading Age North Carolina Education Committee.

DISCLOSURES

Under NCGS § 58-64-20(a)(3)(b) these persons made the following disclosures concerning the provision of goods or services to either the facility or its residents:

Susan C. Ezekiel - President, Cobb, Ezekiel, Loy, & Co., P.A., 219 West Elm Street, Graham, North Carolina 27253, provides tax return preparation and tax planning services which residents of Twin Lakes Community utilize. The anticipated cost to residents cannot presently be estimated, but may exceed \$500.

K. Dale Greeson - President, Apple, Bell, Johnson, & Co., P.A., 1211 South Main Street, Burlington, North Carolina 27215, provides tax return preparation and tax planning services which residents of Twin Lakes Community utilize. The anticipated cost to residents cannot presently be estimated, but may exceed \$500.

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

LOCATION AND DESCRIPTION OF PHYSICAL PROPERTY

Twin Lakes Community is located on approximately 218 acres of land in the Town of Elon in Alamance County, North Carolina, bordering the City of Burlington with 422 independent living homes, 36 apartments in Deacon Pointe assisted living, 104 nursing beds in Coble Creek

Healthcare and Rehabilitation, and 32 beds in Moneta Springs Memory Care. The independent living homes consist of 248 villas, 30 one-bedroom apartments, 42 two-bedroom apartments, and 102 garden homes. We provide internet access to all of our residents with a state-of-the-art Wi-Fi system anchored by a campus-wide fiber optic cable system. In addition to providing internet access to our residents, this system is designed to support new technologies developed to enhance the independence and security of our residents. We are also home to an award-winning Synergy Home, in which residents can interact and experiment with devices and technologies designed to enhance independence and security for healthy aging.

Deacon Pointe Assisted Living, which is known as a multi-unit housing with services facility under North Carolina law, has 36 apartments, administrative offices, and a gift shop for the entire campus. Its style of architecture and programming is residential in nature and serves as an extension of the independent living lifestyle. Deacon Pointe also houses the Twin Lakes Home Care Agency, a team of nurses, certified nursing assistants, and support staff serving clients on the Twin Lakes campus and in the broader community. The independent living nurses and nursing clinic are also located in Deacon Pointe.

Coble Creek Healthcare and Rehabilitation encompasses 100 skilled nursing beds and 4 adult care home beds. The building also houses out-patient physical and occupational therapy. All resident rooms have been designed to create a homelike atmosphere. For the use and enjoyment of all residents of Twin Lakes, the first floor of Coble Creek also contains dining facilities, a salon, rehabilitation and therapy facilities, and the campus chapel. An outdoor patio, memorial garden, and labyrinth are adjacent to the chapel.

Moneta Springs Memory Care is home to 16 skilled nursing and 16 adult care home beds. The building and programming are uniquely designed to meet the needs of persons with cognitive declines. The rooms are organized into households, each of which opens onto Town Center, the facility's activity center. Staff members in Moneta Springs receive specialized training in providing dementia care. Also housed in this building is The Harbor, a licensed adult day program, which is open six days per week and serves twelve participants each day.

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

Sullivan Park offers additional indoor activity and meeting space as well as outdoor walking trails, a botanical garden, and a quiet area for meditation and reflection. This area, known as Sullivan Park Botanical Woods, has received official wildlife habitat certification.

The Fitness Center contains a multi-purpose room for exercise and education, an exercise room with fitness equipment, a swimming pool designed for therapeutic and recreational use, and a walking track. Through two wellness coordinators and a variety of instructors, we offer a comprehensive wellness program to our residents. The center also houses several staff offices. The building was designed to be a part of the emergency and disaster preparedness program of

Twin Lakes and can serve as emergency shelter in the event of weather or other emergencies.

Our 218-acre campus contains several miles of walking paths and sidewalks. A large garden area and woodworking shop are also available for resident use. In addition, numerous clubs and resident-led activities, events and excursions mean the pace at Twin Lakes is always lively.

ESTIMATED NUMBER OF RESIDENTS

As of September 30, 2018, a total of 551 persons were residing in independent living homes; there were 34 residents in Deacon Pointe Assisted Living and 32 residents in Moneta Springs Memory Care. In Coble Creek Healthcare and Rehabilitation, one of the four Adult Care beds was occupied and 93 persons resided in skilled nursing.

RELATED PARTY TRANSACTIONS

Conflict of Interest Provisions

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

ADMISSIONS AND RESIDENCY

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

Admission

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

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

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

upon the earlier of (i) occupancy or (ii) 120 days after the residency agreement is executed. Every resident in an independent living home must insure that all charges, including the admission fee, occupancy charge (the monthly fee for basic services payable to the community), and all charges incurred at the option of the resident are satisfied either through direct payment or through waiver or subsidy by Twin Lakes Community.

Health Criteria for Admission

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

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

Financial and Insurance Criteria

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

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

Cancellation and/or Termination

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

If a resident dies before occupying a 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.

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

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

Declining Refund: After the initial occupancy date, a resident of the apartments or villas may terminate the contract by giving a written notice to Twin Lakes and shall receive a refund in an amount calculated using the following formula:

Amount of Refund in Dollars	EQUALS	$\left(\frac{\text{Admission Fee X 96\%}}{912} \right) \times \left(912 \text{ MINUS } \right)$	Number of Days (Full or Partial) in your Accrual Period as determined below <i>(ref. 9.e.i in contract)</i>
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In other words, the refund amount declines ratably over a 30-month period that begins on the resident’s initial occupancy date. As defined in the residency contract, the “Initial Occupancy Date” is “the date on which you receive keys to your Living Unit or that is 120 days after the date of this contract, whichever occurs first; provided, however, that if your Living Unit is not ready for occupancy on that date, then we will provide you with a Notice of Availability specifying the Initial Occupancy Date; provided further that if you receive your keys during the 30-day rescission period, your initial occupancy date shall be deemed to be the 31st day after the date of this contract.” The amount that declines ratably is equal to 96% of the resident’s admission fee.

50% Refundable Refund: After the initial occupancy date, a resident of a garden home may terminate the contract by giving a written notice to Twin Lakes and shall receive a refund in an amount calculated using the following formula:

Amount of Refund in Dollars	=	50% of Admission Fee	+	$\left[\left(\frac{50\% \text{ of Admission Fee X } 96\%}{912} \right) \times \left(912 \text{ MINUS } \right) \right]$	Number of Days (Full or Partial) in your Accrual Period as determined below <i>(ref. 9.e.i in contract)</i>
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In other words, the refund amount is equal to the sum of two components. The first component is a fixed amount equal to 50% of the resident’s admission fee. The second component is an amount that declines ratably over a 30-month period equal to 96% of the remaining 50% of the resident’s admission fee.

A resident’s right to occupy the independent living unit may be terminated by Twin Lakes Community if (a) Twin Lakes determines after consulting with a physician selected by Twin Lakes, the resident is no longer capable of residing in the living unit without posing a danger to his/her own health or that of other residents of Twin Lakes; (b) the resident requires care which Twin Lakes does not or cannot provide; (c) in the sole judgment of the board of directors the resident is not compatible with other residents of Twin Lakes or is disruptive of the Twin Lakes environment; (d) the resident fails to pay the monthly charge for the living unit or charges for other services and facilities provided by Twin Lakes; or (e) the resident requests financial assistance and it has been determined that such financial difficulties are the result of gift giving, imprudent

disbursement of financial resources, or intentional sheltering of assets.

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

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

Moves

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

This type of decision to transfer will normally occur only after appropriate consultation with the resident, the resident's family or representative, or a party responsible for the resident. It is the desire of Twin Lakes that these decisions be reached by the common consensus of all parties involved. Twin Lakes retains the right to make the final decision.

Marriages/New Second Occupant

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

If a resident marries someone who is not a resident of Twin Lakes under a CCRC contract ("New Spouse"), the New Spouse may become a resident of the resident's living unit with all the rights, privileges and duties of a CCRC contract holder if the New Spouse 1) meets all the current requirements for admission to the type of living unit the resident occupies; 2) signs a residency contract and any amendments we deem necessary; and 3) pays an additional admission fee, the amount to be determined by the retirement community. If the New Spouse does not meet Twin Lakes's requirements for admission or chooses not to become a CCRC contract holder with Twin Lakes, the resident may request that the New Spouse be permitted to occupy the resident's living unit. If the New Spouse's occupancy is approved, the resident will pay a second person monthly occupancy charge for the New Spouse, but the New Spouse will have no rights under the residency contract and no claim for care, services or residency from Twin Lakes. In the event the resident predeceases the New Spouse, and the New Spouse thereafter qualifies for admission and wishes

to remain at Twin Lakes, the New Spouse must pay, in addition to the applicable monthly occupancy charge, the admission fee then applicable to the unit. Further, if the New Spouse does not wish to remain at Twin Lakes or does not qualify for admission or does not pay the applicable admission fee, then the New Spouse must vacate the unit within sixty (60) days of written notification by Twin Lakes Community.

Inability to Pay

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

Services

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

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

- i. Group Transportation. We provide regularly scheduled group transportation to selected medical facilities, shopping malls and grocery stores. The schedule and locations may be adjusted, modified, and changed at our discretion.
- j. Annual Cleaning. Our housekeeping staff will perform an annual cleaning of your home at no additional charge to you. Advance notice will be given for annual cleaning dates.
- k. Grace Days. We will use good faith efforts to make available each calendar year up to three days per independent living resident of temporary care in one of our facilities without additional occupancy charge to the resident. These grace days do not renew in the event of a long-term move to healthcare. These grace days shall not be cumulative or transferable to another resident. Please note that fees for services (including, but not limited to, salon, therapy, transportation, and pharmacy) used during a stay in Coble Creek Healthcare will not be waived.

Services Available at Extra Charge

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

Personal Services Available

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

Gift Shop. A gift shop sponsored and operated by the Twin Lakes Auxiliary, a volunteer organization, is located in Deacon Pointe Assisted Living. Profits from the shop's operation are used by the Auxiliary in its work in support of Twin Lakes Community.

Guest Quarters. Twin Lakes Community has a guest house and guest rooms for guests of Twin Lakes residents. Rates currently are \$60 - \$90 per night. Requests for reservations are made through the independent living department. The guest quarters are also available to prospective residents of Twin Lakes Community on an as-available basis.

Fees

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

TWIN LAKES FEE SCHEDULE 2018-2019

INDEPENDENT LIVING UNITS

APARTMENTS:	SQ.FT.	<u>ADMISSION</u>	<u>MONTHLY OCCUPANCY CHARGE</u>	
			SINGLE	DOUBLE
Heather; 1 BR	600	\$ 55,000	\$1,533	\$2,133
Laurel; 2 BR	800	\$ 65,000	\$1,733	\$2,333

WITTENBERG:

Edelweiss 1BR	819	\$ 75,000	\$1,922	\$2,522
Iris 2BR	969	\$ 90,000	\$2,006	\$2,606
Valerian 2BR	1007	\$ 90,000	\$2,006	\$2,606

There is a \$5,000 second person Admission Fee for Apartments and Wittenberg.

VILLAS:

Acacia (A int.)	1311	\$125,000	\$2,176	\$2,776
Chestnut (C)	1311	\$133,000	\$2,176	\$2,776
Aspen (A ext.)	1311	\$139,000	\$2,176	\$2,776
Birch (B)	1602	\$158,000	\$2,262	\$2,862
Dogwood (D)	1677	\$168,000	\$2,262	\$2,862

There is a \$10,000 second person Admission Fee for Villas.

-----All homes listed above have a 30 month declining refund.-----

GARDEN HOMES:

Juniper	1750	\$303,000	\$2,421	\$3,038
Evergreen	1888	\$328,000	\$2,587	\$3,204
Forsythia	1960	\$347,000	\$2,587	\$3,204
Gardenia	2000	\$358,000	\$2,753	\$3,370
Holly/Ivy	2200	\$395,000	\$2,914	\$3,531

There is a \$15,000 second person Admission Fee for Garden Homes.

Admission fees for Garden Homes are 50% refundable.

DEACON POINTE ASSISTED LIVING APARTMENTS:

Admission fee for non-campus applicants is \$10,000.

	<u>MONTHLY OCCUPANCY CHARGE</u>	
	SINGLE	DOUBLE
Small apartment	\$4,935	\$7,227
Large apartment	\$5,250	\$7,542

COBLE CREEK HEALTHCARE

Semi-private	\$274 per day
Private	\$284 per day

MONETA SPRINGS MEMORY CARE

Semi-private	\$281 - \$291 per day
Private	\$291 - \$301 per day

PERIODIC CHARGES as needed:

Adult Day Care: 1-2 days per week: \$66 per day 3+ days per week: \$62 per day

Home Care Services \$23 per hour

Housekeeping: \$20 per hour

All fees above are effective October 1, 2018 until future changes deemed appropriate by the board of Lutheran Retirement Ministries of Alamance County, North Carolina.

OCCUPANCY CHARGES FOR PREVIOUS FIVE FISCAL YEARS

	FY 2013/ 2014	FY 2014/ 2015	FY 2015/ 2016	FY 2016/ 2017	FY 2017/ 2018
(MONTHLY)					
Heather (1BR)	\$ 1296	\$ 1338	\$ 1388	\$ 1433	\$ 1483
Laurel (2BR)	1463	1511	1568	1619	1676
(MONTHLY)					
Wittenberg (1BR)	1623	1676	1739	1796	1859
Wittenberg (2BR)	1694	1749	1815	1874	1940
(MONTHLY)					
Villa A/C	1838	1898	1969	2033	2104
Villa B	1911	1973	2047	2114	2188
Villa D	1911	1973	2047	2114	2188
(MONTHLY)					
Garden J	2046	2112	2191	2262	2341
Garden E/F	2185	2256	2341	2417	2502
Garden G	2325	2401	2491	2572	2662
Garden H/I	2462	2542	2637	2723	2818
(MONTHLY)					
Deacon Pointe	<u>Large</u>	<u>Large</u>	<u>Large</u>	<u>Large</u>	<u>Large</u>
Assisted Living	<u>Small</u>	<u>Small</u>	<u>Small</u>	<u>Small</u>	<u>Small</u>
<i>(3 meals included)</i>	\$4,435	\$4,579	\$4,751	\$4,905	\$5,077
	\$4,170	\$4,306	\$4,467	\$4,612	\$4,773
(DAILY)					
Coble Creek	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>
Healthcare	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>
Skilled Nursing & ACH	\$ 240	\$ 248	\$ 257	\$ 265	\$ 274
	\$ 230	\$ 238	\$ 247	\$ 255	\$ 264
(DAILY)					
Moneta Springs	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>
Memory Care	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>
Skilled Nursing	\$ 256	\$ 264	\$ 273	\$ 282	\$ 291
	\$ 246	\$ 254	\$ 263	\$ 272	\$ 281
(DAILY)					
Moneta Springs	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>
Memory Care	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>
ACH	\$ 246	\$ 254	\$ 263	\$ 272	\$ 281
	\$ 236	\$ 244	\$ 253	\$ 262	\$ 271

All rates above are for SINGLE occupancy.

DOLLAR INCREASES IN MONTHLY & DAILY OCCUPANCY CHARGES
FOR PREVIOUS FIVE FISCAL YEARS

	FY 2013- 2014	FY 2014- 2015	FY 2015- 2016	FY 2016- 2017	FY 2017- 2018	5 YR. AVE. INCREASE
(MONTHLY)						
Heather (1BR)	\$47	\$42	\$50	\$45	\$50	\$46.80
Laurel (2BR)	\$53	\$48	\$57	\$51	\$57	\$53.20
(MONTHLY)						
Wittenberg (1BR)	\$59	\$53	\$63	\$57	\$63	\$59.00
Wittenberg (2BR)	\$61	\$55	\$66	\$59	\$66	\$61.40
(MONTHLY)						
Villa A/C	\$66	\$60	\$71	\$64	\$71	\$66.40
Villa B	\$69	\$62	\$74	\$67	\$74	\$69.20
Villa D	\$69	\$62	\$74	\$67	\$74	\$69.20
(MONTHLY)						
Garden J	\$74	\$66	\$79	\$71	\$79	\$73.80
Garden E/F	\$79	\$71	\$85	\$76	\$85	\$79.20
Garden G	\$84	\$76	\$90	\$81	\$90	\$84.20
Garden H/I	\$89	\$80	\$80	\$86	\$95	\$86.00
(MONTHLY)						
Deacon Pointe	<u>Large</u>	<u>Large</u>	<u>Large</u>	<u>Large</u>	<u>Large</u>	
Assisted Living	\$160	\$144	\$172	\$154	\$172	\$160.40
<i>(3 meals included)</i>	<u>Small</u>	<u>Small</u>	<u>Small</u>	<u>Small</u>	<u>Small</u>	
	\$150	\$136	\$161	\$144	\$161	\$150.40
(DAILY)						
Coble Creek	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>	
Healthcare	\$8	\$8	\$9	\$8	\$9	\$8.40
Skilled Nursing	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	
and ACH	\$8	\$8	\$9	\$8	\$9	\$8.40
(DAILY)						
Moneta	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>	
Springs	\$9	\$8	\$9	\$9	\$9	\$8.80
Memory Care	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	
Skilled Nursing	\$9	\$8	\$9	\$9	\$9	\$8.80
(DAILY)						
Moneta	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>	
Springs	\$9	\$8	\$9	\$9	\$9	\$8.80
Memory Care	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	
ACH	\$9	\$8	\$9	\$9	\$9	\$8.80

August 22, 2018

Resident Name
Address
Burlington, NC 27215

Dear Resident:

At the meeting of our Board of Directors on August 21, 2018, the Twin Lakes Community operating budget and resident fee schedules for the fiscal year October 1, 2018 through September 30, 2019 were reviewed and approved. Effective October 1, 2018, Independent Living resident monthly occupancy charges will increase by 3.40% over current rates.

The monthly occupancy charge for your residence beginning October 1, 2018, including any applicable second person charge, will be \$____. A copy of the entire fee schedule is included with this letter.

The approved budget includes an average 2% wage increase for Twin Lakes Community employees. Employees also have the opportunity to earn an additional 1% wage increase based on offering excellent customer service. This budget increases the minimum wage paid to Twin Lakes Community employees with 90 days of service from \$10.50 per hour to \$10.75 per hour. Offering competitive salaries and benefits allows us to attract and keep the best employment candidates while ensuring that all our staff earns a living wage.

The Board of Directors and management remain committed to keeping annual rate increases as low as possible while balancing the need to maintain and improve our services and our facilities. The operations and costs of each department are reviewed during the budget process to insure that we are providing our services as cost effectively as possible. Twin Lakes continues to be a financial leader among North Carolina's continuing care retirement communities, as evidenced by our investment grade rating (Fitch A-). Our financial strength enables us both to invest our reserves in maintaining the beauty of our grounds and facilities and to respond quickly and efficiently to emergencies, without these investments affecting your monthly occupancy charge.

We have scheduled two meetings to discuss the budget with you and to answer questions you may have. Both meetings will be held in the Gathering Room of the Fitness Center. The first is scheduled for Friday, August 31 at 1:30 p.m. The second will be held Wednesday, September 5 at 1:30 p.m. We look forward to seeing you at one of these meetings.

Sincerely,

/s/

Jackie S. Cole
Chair of the Board of Directors

/s/

Pamela S. Fox
President / Chief Executive Officer

RESERVES, ESCROWS, AND TRUSTS

Reserves

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

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

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

On September 30, 2018, there was \$6,719,875 in cash and operating reserves and a reserve requirement of \$6,719,875.

2018-2019 Projected Total Operating Costs:	\$ 29,837,300
Add Payments of Long-Term Debt	2,355,000
MINUS Depreciation and Amortization:	<u>(5,312,800)</u>
Operating Reserve Requirement:	
Total Operating Costs for 2018-2019:	\$ 26,879,500
TOTAL Operating Reserve Required	
as of September 30, 2018	
for the 2018-2019 fiscal year:	\$ 6,719,875
(25% based on occupancy exceeding 90%)	

The responsibility for maintenance of the reserves and the investing of the reserves rests with the President/CEO and the Chief Financial Officer. All investment decisions are shared with the Executive and Finance Committees of the board of directors and subsequently reported to the board of directors. As of September 30, 2018, Operating Reserve Investments were as follows:

Investment Account:	
Cash and Cash Equivalents	\$ 9,479
Fixed Income Securities	2,612,480
Equity Securities	4,081,751
Accrued Interest	<u>16,165</u>
	\$ 6,719,875

FINANCIAL FORECAST

The financial forecast included in this Disclosure Statement for the years ending September 30, 2019 through September 30, 2023, includes the following construction during the next five years. There will usually be differences between forecasted and actual construction because the events and circumstances frequently do not occur as expected and those differences may be material.

<u>Year</u>	<u>Description of Construction</u>	<u>Forecast Construction Cost</u>
2019	West Campus Paving	\$ 1,000,000
2019	Maintenance Complex	2,859,400
2019	Renovations & Capital Replacement	2,200,000
2019	Site Development	340,800
2019	Harris Park <i>(to be completed in 2023)</i>	83,300
2019	Fitness Center Renovation <i>(to be completed in 2021)</i>	39,600
2019	Skilled Nursing Facility Replacement <i>(to be completed in 2020)</i>	1,086,400
2019	Gathering Hall/Admin Building	248,100
2019	Memory Care Kitchen Renovation	500,000
2019	Garden Homes <i>(28 units – to be completed in 2020)</i>	388,400
2020	Site Development	300,000
2020	Renovations & Capital Replacement	2,200,000
2020	Gathering Hall/Admin Building <i>(to be completed in 2020)</i>	7,751,900
2020	Skilled Nursing Facility Replacement <i>(to be completed in 2020)</i>	41,913,600
2020	Garden Homes <i>(28 units – to be completed in 2020)</i>	11,485,300
2020	Garden Homes Site Work	2,000,000
2021	Demolition <i>(old Skilled Nursing facility)</i>	500,000
2021	Renovations & Capital Replacement	2,200,000
2021	Site Development	300,000
2021	Boland Renovation	3,000,000
2021	Fitness Center Renovation <i>(to be completed in 2021)</i>	2,600,000
2022	Renovations & Capital Replacement	2,200,000
2022	Site Development	300,000
2023	Renovations & Capital Replacement	2,200,000
2023	Site Development	300,000
2023	Harris Park <i>(to be completed in 2023)</i>	<u>1,485,200</u>
		\$ 89,482,000
	<i>Less Costs Incurred thru 09/30/18</i>	<u>(2,859,700)</u>
		<u>\$ 86,622,300</u>

Twin Lakes has continually developed and renovated its campus throughout its 35-year history. Twin Lakes uses a master campus plan that projects construction projects up to ten years in the future. Our goal is to maintain the soundness of our facilities and the beauty of our campus,

both for current residents and for prospective residents. This forecast also projects we will spend approximately \$2,200,000 each year to renovate existing structures and replace existing equipment. This five-year forecast also includes the replacement of the current 104-bed skilled nursing facility. It further includes the construction of a multi-purpose space for meetings and programs sized to accommodate 350 people, together with an adjacent office wing and new nursing clinic for residents in The Lakes Independent Living. The preliminary cost estimates are \$43 million for the nursing facility and \$8 million for the multi-purpose building, to be financed through the issuance of tax-exempt bonds.

FINANCIAL DATA

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

Certified Financial Statements: Copies of the certified financial statements for the year ending September 30, 2018 are included as **Attachment 1**.

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

Forecasted versus Actual: Included as **Attachment 3** is a comparison of ACTUAL Balance Sheet, Statement of Operations, and Statement of Cash Flows for 2017-2018 versus the PROJECTED Balance Sheet, Statement of Operations, and Statement of Cash Flows included in last year's disclosure statement.

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

Interim Financial Statements

A copy of the LRM Interim Financial Statements as of December 31, 2018 is included as **Attachment 5**.

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

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

2018 Audited Financial Statements

AUDITED FINANCIAL STATEMENTS

For The Years Ended September 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

January 14, 2019

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

We have audited the accompanying financial statements of Lutheran Retirement Ministries of Alamance County, North Carolina (a nonprofit organization) which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 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 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 financial statements are free from material misstatement.

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lutheran Retirement Ministries of Alamance County, North Carolina as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States.

William Coble & Mozer, LLP

Certified Public Accountants
Burlington, North Carolina
January 14, 2019

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
STATEMENTS OF FINANCIAL POSITION

September 30, 2018 and 2017

	2018	2017
Current assets:		
Cash and cash equivalents	\$ 18,054,034	\$ 19,107,764
Investments	6,201,502	5,691,690
Accounts receivable - net	1,258,124	1,570,764
Prepaid expenses	-	16,902
Inventory	207,762	204,424
 Total current assets	 25,721,422	 26,591,544
 Assets whose use is limited:		
Cash and cash equivalents	1,092,941	1,079,953
Investments	9,296,533	8,538,399
Interest receivable	16,178	15,938
 Total assets whose use are limited	 10,405,652	 9,634,290
 Other assets:		
Long-term investments	331,263	315,782
Property and equipment - net	83,341,656	81,105,636
 Total other assets	 83,672,919	 81,421,418
 Total assets	 \$ 119,799,993	 \$ 117,647,252

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

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
STATEMENTS OF FINANCIAL POSITION

September 30, 2018 and 2017

	2018	2017
Current liabilities:		
Current maturities of long-term debt	\$ 2,355,000	\$ 2,290,000
Accounts payable	718,857	693,693
Construction contracts payable	228,824	502,854
Accrued expenses	2,110,547	2,044,124
Deferred revenue	3,177,145	3,149,680
Deposits on unoccupied units	138,129	62,000
Reserve on derivative contract	131,324	187,358
Total current liabilities	8,859,826	8,929,709
Long-term debt, excluding current maturities	16,595,109	18,936,467
Deferred revenue	29,991,994	29,555,435
Refundable admission fees	15,971,275	14,888,475
Reserve on derivative contract	468,778	900,916
Total liabilities	71,886,982	73,211,002
Net assets:		
Unrestricted:		
Designated by board	14,632,663	13,896,190
Undesignated	29,746,958	27,250,373
Total unrestricted	44,379,621	41,146,563
Temporarily restricted	863,511	794,374
Permanently restricted	2,669,879	2,495,313
Total net assets	47,913,011	44,436,250
Total liabilities and net assets	\$ 119,799,993	\$ 117,647,252

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

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
STATEMENTS OF OPERATIONS

For the Years Ended September 30, 2018 and 2017

	2018	2017
Revenues, gains and other support:		
Admission fees earned	\$ 4,098,300	\$ 3,613,860
Ancillary services	1,481,488	1,325,122
Assisted living	1,887,286	1,554,818
Dietary	440,717	440,486
Home care and adult day care	690,069	699,691
Independent living facilities	10,926,761	10,074,492
Memory care	3,257,549	3,119,398
Nursing care	8,968,404	8,624,254
Other operating revenues	324,855	280,552
Gain on disposal of property and equipment	15,966	3,755
Investment income	303,665	222,165
Net unrealized gain on investments	276,374	299,723
Net realized gain on investments	247,507	228,870
Donations and grants	143,964	207,086
	33,062,905	30,694,272
Less:		
Medicare and Medicaid contractual adjustments	1,906,882	2,001,986
Charitable and other contractual allowances	470,747	299,186
Bad debts	134,963	213,532
Total revenues, gains and other support	30,550,313	28,179,568
Operating expenses:		
Activities and social services	295,145	293,117
Ancillary services	896,930	847,803
Assisted living	888,773	764,052
Home care and adult day care	791,040	741,757
Independent living	1,646,786	1,559,933
Memory care	2,115,507	2,089,116
Nursing services	4,570,119	4,287,533
Support services	7,215,292	6,805,575
Administrative and general	3,325,778	3,354,169
Depreciation	5,165,449	4,847,810
Interest and related fees	861,504	846,890
Total operating expenses	27,772,323	26,437,755
Operating income	\$ 2,777,990	\$ 1,741,813

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

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
STATEMENTS OF CHANGES IN NET ASSETS

For the Years Ended September 30, 2018 and 2017

	2018	2017
Unrestricted net assets:		
Operating income	\$ 2,777,990	\$ 1,741,813
Interfund transfers	36,033	33,931
Change in value on derivative contract	488,172	670,638
Net assets transferred to restrictions	(69,137)	(43,607)
 Increase in unrestricted net assets	 3,233,058	 2,402,775
 Temporarily restricted net assets		
Net assets transferred from unrestricted	69,137	43,607
 Increase in temporarily restricted net assets	 69,137	 43,607
 Permanently restricted net assets:		
Net investment income	60,889	44,417
Endowment donations	2,016	18,954
Interfund transfers	(36,033)	(33,931)
Net unrealized gain (loss) on investments	(16,403)	158,484
Net realized gain on investments	164,097	42,032
 Increase in permanently restricted net assets	 174,566	 229,956
 Increase in net assets	 \$ 3,476,761	 \$ 2,676,338
 Net assets - beginning of year	 44,436,250	 41,759,912
 Net assets - end of year	 \$ 47,913,011	 \$ 44,436,250

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

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Cash received from residents and third party payers	\$ 30,430,096	\$ 29,986,864
Investment income received	389,613	276,689
Donations - net	106,714	113,086
Cash paid to suppliers and employees	(21,605,293)	(20,470,933)
Interest paid and related fees	(886,803)	(869,780)
Net cash provided by operating activities	8,434,327	9,035,926
Cash flows from investing activities:		
Acquisition of property and equipment	(7,685,594)	(9,972,713)
Proceeds from sale of property and equipment	26,061	4,250
Purchases of investments - net	(611,852)	(20,243)
Net cash used in investing activities	(8,271,385)	(9,988,706)
Cash flows from financing activities:		
Refundable admission fees received	1,502,800	3,254,250
Admission fees refunded	(420,000)	(125,000)
Proceeds from Memorial Garden fees	1,500	5,500
Endowment donations	2,016	18,954
Principal payments on long term debt	(2,290,000)	(2,185,000)
Net cash provided by (used in) financing activities	(1,203,684)	968,704
Net increase (decrease) in cash	(1,040,742)	15,924
Cash and cash equivalents - beginning of year	20,187,717	20,171,793
Cash and cash equivalents - end of year	\$ 19,146,975	\$ 20,187,717

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

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities		
Increase in net assets	\$ 3,476,761	\$ 2,676,338
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Endowment donations	(2,016)	(18,954)
Change in value on derivative contract	(488,172)	(670,638)
Gain on disposal of property and equipment	(15,966)	(3,755)
Amortization of deferred revenues from admission fees	(4,098,300)	(3,613,860)
Receipt of non-refundable admission fees	4,774,833	6,849,181
Refunds on non-refundable contracts	(92,225)	(40,997)
Depreciation	5,165,449	4,847,810
Amortization of debt issuance costs	13,642	15,409
Amortization of occupancy fees	(45,655)	(19,777)
Net (increase) decrease in receivables and inventory	309,062	(423,331)
Net (increase) decrease in prepaid expenses	16,902	(16,902)
Net increase in payable and accrued expenses	91,587	184,511
Net unrealized gain investments	(259,971)	(458,207)
Net realized gain on investments	(411,604)	(270,902)
Net cash provided by operating activities	\$ 8,434,327	\$ 9,035,926

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

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

Note 1: Summary of Significant Accounting Policies

Nature of organization - Lutheran Retirement Ministries of Alamance County, North Carolina, doing business as Twin Lakes Community (Organization), provides a continuing care retirement community licensed by the State of North Carolina. The Organization consists of 104 nursing care beds, 36 assisted living units, 406 apartments, villas, and garden homes, and 32 memory care beds of which 16 are designated for skilled care and 16 for assisted living.

Financial statement presentation - All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose of restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions whose restrictions are met in the same period are shown as unrestricted.

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

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

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

It is the general policy of Lutheran Retirement Ministries of Alamance County, North Carolina to invest funds with a sense of stewardship for the sake of carrying out its mission and objectives. The funds include permanently restricted funds, temporarily restricted funds, and board-designated reserves. Notwithstanding this policy, all restrictions placed by donors on the interest and investment earnings on donated funds will be honored.

Accounts receivable - net - Accounts receivable are stated net of an allowance for doubtful accounts. This allowance is based on management's estimate of the amount of current receivables, which will prove to be uncollectible. To help mitigate risk associated with trade receivables, management evaluates each customer's risk prior to extending credit. Management does not believe significant credit risk exists at September 30, 2018 and 2017.

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

Note 1: Summary of Significant Accounting Policies (continued)

Promises to give and donor restrictions - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor, if the restrictions expire in the fiscal year in which the contributions are recognized, are reported as increases in unrestricted net assets. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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

Property and equipment - It is the policy of the Organization to capitalize property and equipment over \$1,000; lesser amounts are expensed. Property and equipment are valued at cost less accumulated depreciation. Maintenance and repair costs are charged to expense as incurred. Gains and losses on disposal are reflected in operating income. Donated assets are recorded at their estimated fair value on the date of the donation. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

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

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 any asset may not be recoverable.

Deferred loan costs - Costs associated with obtaining long-term debt are amortized over the debt period. The costs related to the 2009 and 2010 series bonds have been amortized on the effective interest method for the years ending September 30, 2018 and 2017.

Admission fees - Payment of an admission fee is required before a resident acquires a right to reside in an independent living unit. The Organization offers two different types of independent living contracts. For garden home contracts, an admission fee is 50% refundable with the remaining 50% refundable on a pro rata basis during the first 30 months of occupancy. After this 30 month period, only 50% of the total admission fee is refundable. For all other independent living contracts, the entire admission fee is refundable on a pro rata basis during the first 30 months of occupancy. After this 30 month period, no portion of the admission fee is refundable.

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

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

Note 1: Summary of Significant Accounting Policies (continued)

The non-refundable portion of an admission fee is recorded as deferred revenue and is amortized into revenue over the estimated remaining life expectancy of the resident. The estimated remaining life expectancy of the resident is adjusted on an annual basis. Any refunds due on a residency contract are payable upon the lease of the unit to a subsequent occupant.

The Organization has elected to classify refundable admission fees as a long-term liability as the amount to be refunded within one year cannot be reasonably estimated.

Advertising costs - The Organization expenses advertising costs as incurred. Total advertising costs for the years ended September 30, 2018 and 2017 were \$64,629 and \$53,089, respectively.

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 admission fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from admission fees, a liability is recorded (obligation to provide future services and use of facilities) against the corresponding charge to income. As of September 30, 2018 and 2017, this computation did not require a liability to be recorded.

Note 2: Assets Whose Use Is Limited

The composition of assets whose use is limited at September 30, 2018 and 2017 is as follows:

	2018	2017
Operating Fund:		
State mandated reserve	\$ 6,719,888	\$ 6,205,175
Resident trust funds	951	913
Donations	352,316	296,765
Memorial Garden fund	151,423	138,515
Resident assistance	511,195	497,609
Endowment Fund:		
Sullivan Trust	2,108,384	1,970,037
Resident assistance	521,471	487,798
Chapel fund	40,024	37,478
	<u>\$ 10,405,652</u>	<u>\$ 9,634,290</u>

Note 3: Cash and Cash Equivalents

For the purposes of reporting cash flows, cash and cash equivalents include cash on hand and in banks as well as temporary cash investments in money market funds. The Organization maintains its cash balances in board-designated banks located in North Carolina. Cash and cash equivalents at September 30, 2018 and 2017 are summarized as follows:

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

Note 3: Cash and Cash Equivalents (continued)

	<u>2018</u>	<u>2017</u>
Board Designated:		
Medical self-insurance	\$ 613,061	\$ 779,999
Capital reserve	939,741	1,114,162
Debt service	83,954	174,652
Undesignated	16,417,278	17,038,951
Assets Whose Use is Limited:		
State mandated reserve	9,479	57,883
Resident trust funds	951	913
Resident assistance – operating	511,195	497,609
Resident assistance – endowment	15,453	27,879
Donations	352,316	296,765
Sullivan Trust	51,092	58,921
Chapel fund	1,032	1,468
Memorial Garden fund	<u>151,423</u>	<u>138,515</u>
	<u>\$ 19,146,975</u>	<u>\$ 20,187,717</u>

Note 4: Uninsured Cash and Cash Equivalents

The Organization maintains cash accounts at various financial institutions. There is credit risk exposure for certain cash balances that exceed federally insured limits of \$250,000. The amounts in excess of the FDIC limit totaled \$18,909,344 and \$18,618,775 at September 30, 2018 and 2017, respectively.

Note 5: Investments and Fair Value

Investments - The following schedule summarizes the fair value of investments at September 30, 2018 and 2017.

Investments are categorized as follows:

	<u>2018</u>	<u>2017</u>
Undesignated	\$ 29,969	\$ 27,865
Board Designated:		
Debt service	3,525,915	3,230,476
Capital reserve	2,645,618	2,433,349
Education endowment	203,676	188,137
Deferred compensation	127,587	127,645
Assets Whose Use is Limited:		
State mandated reserve	6,694,231	6,131,354
Resident assistance	506,018	459,919
Sullivan Trust	2,057,292	1,911,116
Chapel	<u>38,992</u>	<u>36,010</u>
	<u>\$ 15,829,298</u>	<u>\$ 14,545,871</u>

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

Note 5: Investments and Fair Value (continued)

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

Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity. Level 3 assets are those whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques with significant unobservable inputs, as well as instruments for which the determination of fair value requires significant judgement or estimation.

Fair value measurements at September 30, 2018:

	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Assets:				
Equity securities	\$ 6,871,762	\$ 6,871,762	\$ -	\$ -
Fixed income securities	8,841,896	8,841,896	-	-
Closely held company securities	<u>115,640</u>	<u>-</u>	<u>115,640</u>	<u>-</u>
Total assets	<u>\$ 15,829,298</u>	<u>\$ 15,713,658</u>	<u>\$ 115,640</u>	<u>\$ -</u>
Liabilities:				
Interest rate swaps	<u>\$ 600,102</u>	<u>\$ -</u>	<u>\$ 600,102</u>	<u>\$ -</u>

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

Note 5: Investments and Fair Value (continued)

Fair value measurements at September 30, 2017:

	Total	(Level 1)	(Level 2)	(Level 3)
Assets:				
Equity securities	\$ 5,806,430	\$ 5,806,430	\$ -	\$ -
Fixed income securities	8,622,375	8,622,375	-	-
Closely held company securities	117,066	-	117,066	-
Total assets	\$ 14,545,871	\$ 14,428,805	\$ 117,066	\$ -
Liabilities:				
Interest rate swaps	\$ 1,088,274	\$ -	\$ 1,088,274	\$ -

The Organization incurred investment fees in the amount of \$84,631 and \$77,734 during the years ended September 30, 2018 and 2017, respectively.

Note 6: Reconciliation of Endowment Funds

Changes in endowment net assets, for the years ended September 30, 2018 and 2017, are as follows:

	2018	Board Designated	Permanently Restricted
Endowment net assets – beginning of year	\$ 2,691,092	\$ 195,779	\$ 2,495,313
Donations	2,016	-	2,016
Interest and dividends	59,612	3,987	55,625
Fees	(25,299)	(2,041)	(23,258)
Net realized and unrealized gains	187,572	11,356	176,216
Appropriation of endowment assets for expenditures	(36,033)	-	(36,033)
Endowment net assets – end of year	\$ 2,878,960	\$ 209,081	\$ 2,669,879
	2017	Board Designated	Permanently Restricted
Endowment net assets – beginning of year	\$ 2,438,699	\$ 173,342	\$ 2,265,357
Contributions and bequests	18,954	-	18,954
Interest and dividends	55,186	3,627	51,559
Fees	(22,888)	(1,824)	(21,064)
Net realized and unrealized gains	235,072	20,634	214,438
Appropriation of endowment assets for expenditures	(33,931)	-	(33,931)
Endowment net assets – end of year	\$ 2,691,092	\$ 195,779	\$ 2,495,313

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

Note 7: Assets Whose Use is Limited for State Mandated Reserve

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

The operating reserve requirement of the Organization as of September 30, 2018 was \$6,719,888 based on current occupancy, which exceeds 90%, and projected 2018-2019 operating costs of \$26,879,550. The operating reserve balance at September 30, 2018 was \$6,719,888.

The operating reserve requirement of the Organization as of September 30, 2017 was \$6,205,175 based on the occupancy at that time, which exceeded 90%, and projected 2017-2018 operating costs of \$24,820,700. The operating reserve balance at September 30, 2017 was \$6,205,175.

Note 8: Assets Whose Use is Permanently Restricted by Sullivan Trust and Endowment

Sullivan Trust - During the year ended September 30, 1988, Lutheran Retirement Ministries of Alamance County, North Carolina received a bequest from the estates of James and Beulah Sullivan. The will of James Sullivan requires that the bequest be held in trust for the benefit of the Organization with the income generated by the trust to be delivered to the Organization at least annually. The assets of the Sullivan Trust and Endowment are reported as permanently restricted on the statements of financial position. The fair value of these assets comprising permanently restricted net assets at September 30, 2018 and 2017 are \$2,108,384 and \$1,970,037 respectively.

Chapel Fund - Contributions have been made to the Chapel Endowment Fund, for the benefit of chapel maintenance. The assets of the fund are reported as permanently restricted. The fair value at years ended September 30, 2018 and 2017, are \$40,024 and \$37,478, respectively.

Residents Assistance Fund - Contributions have been made to the Resident Assistance Fund, for the benefit of the Organizations residents. The assets of the fund are reported as permanently restricted. The fair value at years ended September 30, 2018 and 2017, are \$521,471 and \$487,798, respectively.

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

Note 9: Accounts Receivable

Accounts receivable at September 30, 2018 and 2017 are summarized as follows:

	2018	2017
Resident services	\$ 1,440,027	\$ 1,637,359
Sales tax	134,117	288,146
Interest receivable	16,480	15,281
Other	-	11,778
	1,590,624	1,952,564
Less allowance for doubtful accounts	(332,500)	(381,800)
	\$ 1,258,124	\$ 1,570,764

Note 10: Deferred Gifts

The Organization has been designated as the beneficiary of a number of life insurance policies, gift annuities and charitable remainder trusts. As of September 30, 2018 and 2017 the gross amount of gifts made were approximately \$1,474,000 and \$1,484,000; the estimated present value of the gifts are approximately \$659,000 and \$693,000, respectively. In most cases, donors have the ability to stipulate terms of the giving, thus adding an element of uncertainty regarding present value and beneficiary status. It is management's opinion that these deferred gifts are conditional, and they have not been recorded in the financial statements.

Note 11: Property and Equipment

Property and equipment at September 30, 2018 and 2017 are summarized as follows:

	2018	2017
Land	\$ 8,647,965	\$ 6,187,319
Land improvements	15,611,417	15,574,431
Buildings	112,369,400	110,112,595
Paving	1,131,764	1,131,764
Furniture and equipment	10,657,821	10,491,728
Construction in progress	2,859,702	418,985
	151,278,069	143,916,822
Less accumulated depreciation	(67,936,413)	(62,811,186)
Net property and equipment	\$ 83,341,656	\$ 81,105,636

Depreciation expense for the years ended September 30, 2018 and 2017 was \$5,165,449 and \$4,847,810, respectively.

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

Note 12: Interfund Payable

At September 30, 2018 and 2017 the Organization had an interfund payable due to the Operating Fund from the Endowment Fund in the amount of \$29,969 and \$27,865, respectively.

Note 13: Accrued Expenses

Accrued expenses at September 30, 2018 and 2017 consist of the following:

	2018	2017
Salaries and wages	\$ 475,185	\$ 424,650
Paid annual leave	982,899	959,882
Profit sharing contribution	329,317	339,528
Deferred compensation	172,587	167,645
Payroll taxes	559	2,419
Self-insurance claims	150,000	150,000
	\$ 2,110,547	\$ 2,044,124

Note 14: Long-Term Debt

Long-term debt at September 30, 2018 and 2017 consists of the following:

	2018	2017
During the year ended September 30, 2010, the Organization, through the North Carolina Medical Care Commission issued \$29,630,000 of 2009 bank qualified bonds. The principal is due in annual installments from January 1, 2014 through January 1, 2037. Effective December 11, 2012, the interest component is payable monthly at a variable rate of 68% of one-month LIBOR plus a credit spread of 1.2125% and is subject to renewal risk after the term of the agreement expires on January 1, 2023. The interest rate is managed through a swap agreement disclosed in Note 16.	\$ 19,055,000	\$ 21,345,000
	19,055,000	21,345,000
Less current maturities of long-term debt	(2,355,000)	(2,290,000)
Less unamortized debt issuance costs	(104,891)	(118,533)
	\$ 16,595,109	\$ 18,936,467

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

Note 14: Long-Term Debt (continued)

Scheduled principal maturities of long-term debt at September 30, 2018 are as follows:

2019	\$ 2,355,000
2020	815,000
2021	840,000
2022	870,000
2023	910,000
Thereafter	<u>13,265,000</u>
	<u>\$ 19,055,000</u>

The Organization has various financial covenants relating to the aforementioned debt. As of September 30, 2018, all financial covenants were met.

Note 15: Deferred Revenue

Deferred revenue at September 30, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
Admission fees	\$ 33,046,639	\$ 32,538,460
Occupancy fees	-	45,655
Memorial gardens	<u>122,500</u>	<u>121,000</u>
	<u>\$ 33,169,139</u>	<u>\$ 32,705,115</u>

Note 16: Reserve on Derivative Contracts

The Organization has an interest rate swap agreement, measured at fair value in Note 5, in order to minimize its exposure to the impact of interest rate changes on its long-term debt. This enables the Organization to maintain a synthetic fixed rate on a significant portion of its overall long-term debt. This type of hedging activity has been recorded as a cash flow hedge with the change in value on the derivative contracts recorded in the Statement of Changes in Net Assets. The swap agreement is structured whereby the Organization pays the swap counterparty effectively a fixed rate of 3.556% and receives a variable rate at 63% of 30 day LIBOR plus 0.3%. The notional amount at September 30, 2018 is \$10,830,000. This amount will reduce annually through January 1, 2028. The agreement with Branch Banking and Trust expires January 1, 2023; the interest rate and credit spread are subject to renewal risk at that time.

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

Note 17: Paid Annual Leave

The Organization's employees are allowed to accumulate paid annual leave up to a maximum 60 days as of September 30 each year. Paid annual leave is payable when the leave is taken or upon the favorable termination of the employee. A limited provision was available for the annual buy-back of unused paid annual leave in excess of the accrual limits. The Organization recorded a liability of \$982,899 and \$959,882 for accrued paid annual leave at September 30, 2018 and 2017, respectively.

Note 18: Temporarily Restricted Net Assets

The following is a summary of temporarily restricted net assets:

	2018	2017
Resident assistance – operating	\$ 511,195	\$ 497,609
Donations	352,316	296,765
Temporarily restricted net assets	\$ 863,511	\$ 794,374

Note 19: Net Assets Designated by Board

The following is a summary of board designated net assets:

	2018	2017
Operating Fund:		
Self-insurance	\$ 463,061	\$ 629,999
Capital reserve	3,592,460	3,433,655
Debt service	3,619,250	3,414,067
Memorial Garden	28,923	17,515
State mandated reserve	6,719,888	6,205,175
Endowment Fund:		
Education endowment	209,081	195,779
Board designated net assets	\$ 14,632,663	\$ 13,896,190

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

Note 20: Retirement Plan

The Organization maintains a defined contribution retirement plan covering substantially all of its full time employees. Effective October 1, 2013, the Organization adopted Safe Harbor provisions, requiring a three percent annual employer contribution, with additional employer contributions allowed, as approved by the Board of Directors. Prior to October 1, 2013, the board of directors of the Organization determined annually the amount, if any, of the annual employer contribution to the plan. The board of directors elected to make contributions of four percent of eligible compensation which totaled \$329,317 and \$339,528 for the years ending September 30, 2018 and 2017, respectively.

During the year ended September 30, 2015 the Board of Directors of the Organization established a supplemental benefit deferred compensation plan under IRS Code Section 457(f). Under the terms of the plan the Board may decide each year to make discretionary contributions for the benefit of select employees. The approved benefits are payable on a specified distribution date selected by the Board of Directors. Benefits under the plan generally vest on the specified distribution date to employees still employed on that date. The Board of Directors approved contributions to the Plan for the years ended September 30, 2018 and 2017 of \$45,000 and \$40,000, respectively. The amount funded totaled \$40,000 and \$0 during the years ended September 30, 2018 and 2017.

Note 21: Self-Funded Medical Insurance Plan

The Organization maintains an employee benefits plan to provide substantially all employees with medical benefits. The plan obtains insurance from commercial carriers to cover any payments required by the plan in excess of \$85,000 per individual per plan year.

Note 22: Risk Management

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

The Organization has in place insurance coverage for possible litigation in the ordinary course of business related to professional liability claims. Management believes that claims, if asserted, would be settled within the limits of coverage, which is on an occurrence basis.

As discussed in Note 16, the Organization has an interest rate swap agreement in order to minimize its exposure to the impact of interest rate changes on its long-term debt. The swap agreements have been recorded on the statement of financial position at their fair value, and any changes in fair value have been recorded in the statement of changes in net assets.

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

Note 23: Contingencies

The contracts between the Organization and the residents provides for a refund of a portion of the resident's admission fee if the resident leaves during the first thirty months of occupancy. In addition, the contracts between the Organization and the garden home residents provide that 50% of the admission fee will be refundable. The contracts provide for the refund to be payable when the dwelling unit is re-leased to another resident.

The total amount of contractual refund obligations was \$21,628,842 and \$22,065,034 at September 30, 2018 and 2017, respectively. Of the total amount, \$15,971,275 and \$14,888,475 are for the 50% refundable admission fees at September 30, 2018 and 2017, respectively.

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

Note 24: Operating Leases

The Organization has leases for equipment, which are classified as operating leases. Rent expense for the operating leases was \$56,224 and \$56,599 for the years ended September 30, 2018 and 2017, respectively.

Future minimum lease payments under non-cancelable operating leases with initial or remaining terms in excess of one year are as follows:

2019	\$ 21,378
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Note 25: Concentrations of Credit Risk

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

Note 26: Tax Status

Lutheran Retirement Ministries of Alamance County, North Carolina is exempt from Federal and North Carolina Income Taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has determined that it does not have any material unrecognized tax benefits or obligations and believes they are no longer subject to income tax examinations for years prior to September 30, 2015.

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

Note 27: Commitments

The Organization has commitments for construction projects in connection with building and improvement additions. The cost to complete the projects at September 30, 2018 was \$4,039,438.

The Organization is currently in discussion with contractors and others regarding a new nursing facility. Although no contracts for construction have been signed and no financing for the new facility has been obtained, the construction of a new nursing facility is considered reasonably possible by management and the board of directors. Therefore, the current facility has been evaluated by management for impairment. Due to the lack of contracts and financing, management has determined that no impairment exists and that no impairment loss should be recorded in the financial statements as of January 14, 2019. If demolition of the current facility becomes probable, management will evaluate for impairment and record an impairment loss if necessary. If impairment has been determined, the current facility will be recorded at the fair value which will be determined to equal the present value of the undiscounted cash flows to be received through the date of demolition. Cost and accumulated depreciation of the facility are \$9,333,556 and \$6,779,491, respectively, as of September 30, 2018.

Note 28: Resident Fee Income

Net resident fee income consists of the following for the years ended September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Residency fees at normal billing rates:		
Admission fees earned	\$ 4,098,300	\$ 3,613,860
Ancillary service	1,481,488	1,325,122
Assisted living	1,887,286	1,554,818
Dietary sales to residents	206,416	191,715
Home care and adult day care	690,069	699,691
Independent living	10,926,761	10,074,492
Memory care	3,257,549	3,119,398
Nursing care	8,968,404	8,624,254
Other operating revenues from residents	<u>324,855</u>	<u>280,552</u>
	31,841,128	29,483,902
Adjustments:		
Medicare and Medicaid contractual adjustments	(1,906,882)	(2,001,986)
Charitable and other contractual adjustments	(470,747)	(299,186)
Bad debts	<u>(134,963)</u>	<u>(213,532)</u>
Net resident fee income	<u>\$ 29,328,536</u>	<u>\$ 26,969,198</u>

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

Note 29: Charity Care and Community Benefit

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

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

Charity care and community benefit are valued at cost for the years ended September 30, 2018 and 2017 and are summarized as follows.

	<u>2018</u>	<u>2017</u>
Charity care:		
Unreimbursed costs under Medicaid	\$ 1,218,588	\$ 1,391,011
Forgiven admission fees	-	-
Forgiven monthly and daily fees	199,235	168,833
Bad debts	<u>35,503</u>	<u>11,037</u>
Total charity care	<u>1,453,326</u>	<u>1,570,881</u>
Community benefit:		
Expenses incurred by the Organization to provide health, recreation, community research, and education activities to the community at large	147,146	21,270
Charitable donations	121,699	133,890
Donated volunteer services and space to community service projects and organizations	<u>69,953</u>	<u>64,355</u>
Total community benefit	<u>338,798</u>	<u>219,515</u>
Total charity care and community benefit	<u>\$ 1,792,124</u>	<u>\$ 1,790,396</u>

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

Note 30: Reclassification

Certain 2017 items in the statements of financial position have been reclassified to conform to current year presentation. These reclassifications had no effect on the statements of operations, statements of changes in net assets, or net asset balances at year-end.

Note 31: Subsequent Events

The Organization has evaluated events and transactions that occurred between September 30, 2018 and January 14, 2019, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

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

DISCLOSURE STATEMENT

ATTACHMENT 2

FIVE YEAR PROJECTION STATEMENT

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

FINANCIAL FORECASTS

For The Years Ending September 30, 2019
Through September 30, 2023

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ACCOUNTANTS' COMPILATION REPORT

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

We have compiled the accompanying forecasted statements of financial position, statements of operations, statements of cash flows, and summary of significant forecast assumptions and accounting policies of Lutheran Retirement Ministries of Alamance County, North Carolina as of September 30, 2019 through September 30, 2023 and for the years then ending, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The accompanying forecast and this report were prepared to comply with the requirements of North Carolina General Statutes, Chapter 58, Article 64 and should not be used for any other purpose.

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

Gilliam Coble & Moser, LLP

Certified Public Accountants
February 22, 2019

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
FORECASTED STATEMENTS OF FINANCIAL POSITION
September 30, 2019 Through September 30, 2023

	2019	2020	2021	2022	2023
CURRENT ASSETS:					
CASH AND CASH EQUIVALENTS	\$ 72,735,000	\$ 17,282,400	\$ 12,106,700	\$ 13,033,000	\$ 12,567,900
INVESTMENTS	6,511,600	6,837,200	7,179,100	7,538,100	7,915,000
ACCOUNTS RECEIVABLE (NET)	1,549,500	1,624,500	1,723,700	1,793,600	1,871,500
ACCRUED INTEREST RECEIVABLE	17,300	18,200	19,100	20,100	21,100
INVENTORY	218,200	229,100	240,600	252,600	265,200
TOTAL CURRENT ASSETS	81,031,600	25,991,400	21,269,200	22,637,400	22,640,700
ASSETS WHOSE USE IS LIMITED :					
CASH AND CASH EQUIVALENTS - DONATIONS	1,069,400	1,125,400	1,182,700	1,241,600	1,302,000
INVESTMENTS - RESTRICTED OPERATING RESERVE	7,044,200	7,468,600	7,748,500	8,034,600	8,436,300
LONG-TERM INVESTMENTS - ENDOWMENT	2,750,000	2,832,500	2,917,500	3,005,000	3,095,200
TOTAL ASSETS WHOSE USE IS LIMITED	10,863,600	11,426,500	11,848,700	12,281,200	12,833,500
OTHER ASSETS :					
LONG-TERM INVESTMENTS	392,600	456,200	522,300	590,900	662,200
PROPERTY AND EQUIPMENT, NET	84,031,200	144,235,300	146,160,100	142,089,800	139,561,700
DEFERRED BOND COSTS, NET	88,900	1,163,900	1,128,900	1,083,900	1,039,900
TOTAL OTHER ASSETS	84,512,700	145,855,400	147,811,300	143,764,600	141,263,800
TOTAL ASSETS	\$ 176,407,900	\$ 183,273,300	\$ 180,929,200	\$ 178,683,200	\$ 176,738,000
CURRENT LIABILITIES:					
CURRENT MATURITIES OF LONG-TERM DEBT	\$ 935,000	\$ 950,000	\$ 990,000	\$ 990,000	\$ 1,035,000
ACCOUNTS PAYABLE	878,800	901,200	937,200	974,100	1,007,000
ACCRUED EXPENSES	2,216,000	2,326,800	2,443,100	2,565,300	2,693,600
DEPOSITS ON UNOCCUPIED UNITS	50,000	52,500	55,100	57,900	60,800
TOTAL CURRENT LIABILITIES	4,079,800	4,230,500	4,425,400	4,587,300	4,796,400
LONG-TERM DEBT, EXCLUDING CURRENT MATURITIES	71,265,100	70,315,100	69,325,100	68,335,100	67,300,100
DEFERRED REVENUE FROM ADMISSION FEES - REFUNDABLE	6,814,900	7,155,600	7,513,400	7,889,100	8,283,600
DEFERRED REVENUE FROM ADMISSION FEES - NON-REFUNDABLE	27,376,800	29,788,200	28,979,900	28,145,700	27,287,200
DEFERRED REVENUE FROM OCCUPANCY FEES	101,500	80,500	59,500	38,500	17,500
REFUNDABLE ADMISSION FEES	17,621,300	21,071,300	21,071,300	21,071,300	21,071,300
RESERVE ON DERIVATIVE CONTRACT	600,100	600,100	600,100	600,100	600,100
TOTAL LIABILITIES	127,859,500	133,241,300	131,974,700	130,667,100	129,356,200
NET ASSETS:					
UNRESTRICTED:					
DESIGNATED BY BOARD FOR SELF-INSURANCE	486,300	510,600	536,100	562,900	591,000
DESIGNATED BY BOARD FOR ENDOWMENT	215,400	221,900	228,600	235,500	242,600
DESIGNATED BY BOARD FOR CAPITAL RESERVE	3,457,000	3,326,100	3,192,600	3,056,500	2,917,600
DESIGNATED BY BOARD FOR DEBT SERVICE	4,154,300	4,320,500	4,493,300	4,673,000	4,859,900
DESIGNATED BY BOARD FOR RESTRICTED OPERATING RESERVE	7,044,200	7,468,600	7,748,500	8,034,600	8,436,300
UNDESIGNATED	29,371,800	30,226,400	28,655,200	27,207,000	25,937,200
TOTAL UNRESTRICTED NET ASSETS	44,729,000	46,074,100	44,854,300	43,769,500	42,984,600
TEMPORARILY RESTRICTED - DONATIONS	1,069,400	1,125,400	1,182,700	1,241,600	1,302,000
PERMANENTLY RESTRICTED - ENDOWMENT	2,750,000	2,832,500	2,917,500	3,005,000	3,095,200
TOTAL NET ASSETS	48,548,400	50,032,000	48,954,500	48,016,100	47,381,800
TOTAL LIABILITIES AND NET ASSETS	\$ 176,407,900	\$ 183,273,300	\$ 180,929,200	\$ 178,683,200	\$ 176,738,000

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

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
FORECASTED STATEMENTS OF OPERATIONS
For The Years Ending September 30, 2019 Through 2023

	2019	2020	2021	2022	2023
REVENUES, GAINS AND OTHER SUPPORT:					
NURSING CARE	\$ 9,445,800	\$ 9,815,500	\$ 10,236,000	\$ 10,612,000	\$ 11,038,400
MEMORY CARE	3,325,200	3,459,200	3,609,300	3,745,300	3,896,900
ASSISTED LIVING	1,870,800	1,945,500	2,023,200	2,104,000	2,188,200
INDEPENDENT LIVING	11,158,800	11,950,100	13,347,800	13,911,300	14,545,200
ADMISSION FEES EARNED	3,993,000	4,095,400	4,347,900	4,355,700	4,361,100
ANCILLARIES	1,460,700	1,659,300	1,730,700	1,794,700	1,866,900
HOME CARE AND ADULT DAY SERVICES	801,500	862,900	899,900	933,200	970,800
DIETARY	400,000	435,300	471,700	490,500	511,700
OTHER OPERATING REVENUES	362,100	339,600	365,200	379,700	395,900
INVESTMENT EARNINGS	292,400	918,500	373,600	330,400	348,500
NET UNREALIZED GAIN ON INVESTMENTS	6,300	6,500	6,700	6,900	7,100
DONATIONS	165,000	171,600	178,500	185,600	193,000
TOTAL	33,281,600	35,659,400	37,590,500	38,849,300	40,323,700
LESS: MEDICARE AND MEDICAID CONTRACTURAL ADJUSTMENTS	2,360,300	2,389,400	2,492,200	2,584,300	2,688,400
CHARITABLE AND OTHER CONTRACTURAL ALLOWANCES	528,900	475,500	511,300	531,500	554,200
TOTAL REVENUES, GAINS AND OTHER SUPPORT	30,392,400	32,794,500	34,587,000	35,733,500	37,081,100
OPERATING EXPENSES:					
NURSING SERVICES	4,010,600	4,171,000	4,337,800	4,511,300	4,691,800
MEMORY CARE	2,222,100	2,311,000	2,403,400	2,499,500	2,599,500
DIETARY	2,044,500	2,126,300	2,211,400	2,299,900	2,391,900
HOUSEKEEPING	436,200	453,600	471,700	490,600	510,200
LAUNDRY	168,600	175,300	182,300	189,600	197,200
PHARMACY	145,500	151,300	157,400	163,700	170,200
THERAPIES	732,600	860,200	1,004,100	1,092,600	1,136,600
SOCIAL SERVICES	154,000	160,200	166,600	173,300	180,200
ACTIVITIES	171,800	178,700	185,800	193,200	200,900
NURSING ADM./MEDICAL REC.	707,400	735,700	765,100	795,700	827,500
MAINTENANCE	3,351,300	3,485,400	3,639,800	3,822,900	4,013,300
GROUNDS	737,100	766,600	797,300	839,200	882,800
SECURITY	358,400	372,700	387,600	408,100	429,400
ADMINISTRATION AND GENERAL	3,085,800	3,209,200	3,337,600	3,476,100	3,620,100
PASTORAL SERVICES	191,000	198,600	206,500	214,800	223,400
ASSISTED LIVING	1,060,300	1,102,700	1,146,800	1,192,700	1,240,400
TERRACE CAFE	408,800	425,200	442,200	459,900	478,300
INDEPENDENT LIVING	1,818,600	1,891,300	1,967,000	2,065,700	2,168,300
SALES AND MARKETING	362,500	377,000	392,100	412,800	434,300
DEVELOPMENT AND OUTREACH	199,500	207,500	215,800	224,400	233,400
HOME CARE AND ADULT DAY CARE	951,000	862,900	899,900	933,200	970,800
BEAUTY AND BARBER	59,700	62,100	64,600	67,200	69,900
INTEREST EXPENSE	1,147,200	1,537,200	3,556,500	3,517,700	3,477,900
AMORTIZATION	16,000	25,000	35,000	45,000	44,000
DEPRECIATION	5,296,800	5,546,700	6,775,200	6,670,300	6,613,300
TOTAL OPERATING EXPENSES	29,837,300	31,393,400	35,749,500	36,759,400	37,805,600
OPERATING INCOME	555,100	1,401,100	(1,162,500)	(1,025,900)	(724,500)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:					
NET UNREALIZED GAIN ON INVESTMENTS	80,100	82,500	85,000	87,500	90,200
TOTAL INCREASE (DECREASE) IN NET ASSETS	635,200	1,483,600	(1,077,500)	(938,400)	(634,300)
NET ASSETS AT BEGINNING OF YEAR	47,913,200	48,548,400	50,032,000	48,954,500	48,016,100
NET ASSETS AT END OF YEAR	\$ 48,548,400	\$ 50,032,000	\$ 48,954,500	\$ 48,016,100	\$ 47,381,800

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

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
FORECASTED STATEMENTS OF CASH FLOWS
For The Years Ending September 30, 2019 Through 2023

	2019	2020	2021	2022	2023
CASH FLOWS FROM OPERATING ACTIVITIES:					
CASH RECEIVED FROM RESIDENTS AND THIRD PARTY PAYORS	25,606,800	27,506,500	29,560,100	30,764,000	32,072,500
INVESTMENT INCOME RECEIVED	307,800	917,600	372,700	329,400	347,500
CONTRIBUTIONS RECEIVED	165,000	171,600	178,500	185,600	193,000
CASH PAID TO SUPPLIERS AND EMPLOYEES	(23,122,150)	(24,162,200)	(25,242,000)	(26,379,300)	(27,521,800)
INTEREST PAID	(1,147,200)	(1,537,200)	(3,556,500)	(3,517,700)	(3,477,900)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,810,250	2,896,300	1,312,800	1,382,000	1,613,300
CASH FLOWS FROM INVESTING ACTIVITIES:					
PURCHASE OF INVESTMENTS	(782,600)	(807,100)	(681,200)	(706,800)	(842,800)
ACQUISITION OF PROPERTY AND EQUIPMENT	(6,215,100)	(65,750,800)	(8,700,000)	(2,600,000)	(4,085,200)
NET CASH USED BY INVESTING ACTIVITIES	(6,997,700)	(66,557,900)	(9,381,200)	(3,306,800)	(4,928,000)
CASH FLOWS FROM FINANCING ACTIVITIES:					
ADMISSION FEES RECEIVED	7,300,000	10,900,000	4,500,000	4,500,000	4,500,000
ADMISSION FEES REFUNDED	(600,000)	(600,000)	(600,000)	(600,000)	(600,000)
BOND ISSUANCE COST	-	(1,100,000)	-	-	-
PROCEEDS OF LONG-TERM DEBT	55,499,950	-	-	-	-
PAYMENTS OF LONG-TERM DEBT	(2,355,000)	(935,000)	(950,000)	(990,000)	(990,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	59,844,950	8,265,000	2,950,000	2,910,000	2,910,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	54,657,500	(55,396,600)	(5,118,400)	985,200	(404,700)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	19,146,900	73,804,400	18,407,800	13,289,400	14,274,600
CASH AND CASH EQUIVALENTS - END OF YEAR	73,804,400	18,407,800	13,289,400	14,274,600	13,869,900
RECONCILIATION OF CHANGE IN NET ASSETS					
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
INCREASE (DECREASE) IN NET ASSETS	635,200	1,483,600	(1,077,500)	(938,400)	(634,300)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS					
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
AMORTIZATION OF ADMISSION FEES	(3,993,000)	(4,095,400)	(4,347,900)	(4,355,700)	(4,361,100)
DEPRECIATION AND AMORTIZATION	5,312,800	5,571,700	6,810,200	6,715,300	6,657,300
NET INCREASE IN RECEIVABLES, INVENTORY AND PREPAID EXPENSES	(302,850)	(86,800)	(111,600)	(82,900)	(91,500)
NET INCREASE IN PAYABLES AND ACCRUED EXPENSES	265,500	133,200	152,300	159,100	161,200
NET DECREASE IN DEFERRED OCCUPANCY FEES	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)
NET UNREALIZED GAIN ON INVESTMENTS	(86,400)	(89,000)	(91,700)	(94,400)	(97,300)
CASH PROVIDED BY OPERATING ACTIVITIES	1,810,250	2,896,300	1,312,800	1,382,000	1,613,300

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

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

September 30, 2019 Through September 30, 2023

I. Introduction

This financial forecast presents, to the best of management's knowledge and belief, Lutheran Retirement Ministries of Alamance County, North Carolina's expected financial position, results of operations and cash flows for the forecast period. Accordingly, the forecast reflects its judgment as of February 22, 2019, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and these differences may be material. The financial forecast was prepared to provide Lutheran Retirement Ministries of Alamance County, North Carolina residents and prospective residents information about the expected financial results of the organization. Management does not expect to update the financial forecast after issuance. However, management expects to prepare a new forecast annually to provide to residents and prospective residents, and since events and circumstances frequently do not occur as anticipated, subsequent forecasts may vary materially from those currently provided.

II. Summary of Significant Accounting Policies

A. Basis of Presentation:

Forecasted financial position and results of operations of Lutheran Retirement Ministries of Alamance County, North Carolina (Ministries) have been reported on the accrual basis of accounting principles generally accepted in the United States of America. The financial forecast presents combined totals for the Operating Fund and the Endowment Fund.

B. Cash and Cash Equivalents:

For presentation purposes in the financial forecast, cash and cash equivalents include all cash on hand and in banks, all certificates of deposit and all repurchase agreements. Lutheran Retirement Ministries of Alamance County, North Carolina places deposits in excess of federally insured amounts. Lutheran Retirement Ministries of Alamance County, North Carolina has not experienced any financial loss related to such deposits.

C. Allowance for Doubtful Accounts:

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

D. Inventory:

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

E. Investment:

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

F. Property and Equipment:

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

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

G. Loan Costs:

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

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

September 30, 2019 Through September 30, 2023

II. Summary of Significant Accounting Policies (continued)

H. Admission Fees:

Payment of an admission fee is required before a resident acquires a right to reside in an independent living unit. The Ministries offers two different types of independent living contracts. For Garden Home units, contracts are 50% refundable with the remaining 50% amortized over a 30 month period. For all other units, the entire admission fee is amortized over a 30 month period. The 50% refundable admission fees are recorded as a liability. The non-refundable admission fees are recorded as deferred revenue and are amortized into revenue over the estimated remaining life expectancy of the resident. The estimated remaining life expectancy of the resident is adjusted on an annual basis. Any refunds due on a residency contract are payable upon the re-lease of the unit by a subsequent occupant.

I. Tax Status:

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

III. Operating Fund

A. Accounts Receivable:

Accounts receivable are forecast as follows:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Resident services	\$ 1,513,000	\$ 1,584,300	\$ 1,681,300	\$ 1,745,900	\$ 1,818,600
Other	<u>150,000</u>	<u>159,000</u>	<u>168,500</u>	<u>178,600</u>	<u>189,300</u>
	1,663,000	1,743,300	1,849,800	1,924,500	2,007,900
Less: Allowance for doubtful accounts	<u>(113,500)</u>	<u>(118,800)</u>	<u>(126,100)</u>	<u>(130,900)</u>	<u>(136,400)</u>
	<u>\$ 1,549,500</u>	<u>\$ 1,624,500</u>	<u>\$ 1,723,700</u>	<u>\$ 1,793,600</u>	<u>\$ 1,871,500</u>

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

B. Inventory:

Inventory is forecast to increase by 5% annually.

C. Assets Whose Use is Limited by Sullivan Trust:

During the year ended September 30, 1988, Lutheran Retirement Ministries of Alamance County, North Carolina received a bequest from the estates of James and Beulah Sullivan. The will of James Sullivan requires that the bequest be held in trust for the benefit of the Ministries with the income generated by the trust to be delivered to the Ministries at least annually. The assets of the Sullivan Trust are reported as permanently restricted - endowment on the Balance Sheet. The fair value of assets comprising the Sullivan Trust have been forecast to appreciate by 3% annually.

D. Assets Whose Use is Limited for Operating Reserve:

North Carolina General Statute 58-64-33 requires the establishment of an operating reserve equal to 50% of the total operating costs projected by the Ministries for the next twelve month period. If occupancy is in excess of 90%, the operating reserve requirement decreases to 25% of total operating costs. Total operating costs include debt service and exclude depreciation. The operating reserve cannot be expended without written approval of the State of North Carolina. The forecast includes appreciation of operating reserve assets of 3-5% annually. Occupancy is forecasted to exceed 90%.

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

September 30, 2019 Through September 30, 2023

III. Operating Fund (continued)

E. Property and Equipment:

Property and equipment are forecast as follows:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Land	\$ 8,648,000	\$ 8,648,000	\$ 8,648,000	\$ 8,648,000	\$ 8,648,000
Land improvements	16,611,400	18,611,400	18,611,400	18,611,400	20,096,600
Buildings	120,115,400	183,766,200	192,366,200	194,866,200	197,366,200
Paving	1,131,800	1,131,800	1,131,800	1,131,800	1,131,800
Furniture and equipment	<u>10,757,800</u>	<u>10,857,800</u>	<u>10,957,800</u>	<u>11,057,800</u>	<u>11,157,800</u>
Total	157,264,400	223,015,200	231,715,200	234,315,200	238,400,400
Less:					
Accumulated depreciation	<u>73,233,200</u>	<u>78,779,900</u>	<u>85,555,100</u>	<u>92,225,400</u>	<u>98,838,700</u>
Net property and equipment	<u>\$ 84,031,200</u>	<u>\$ 144,235,300</u>	<u>\$ 146,160,100</u>	<u>\$ 142,089,800</u>	<u>\$ 139,561,700</u>

Major property and equipment additions are forecast to include:

<u>Year Completed</u>	<u>Description</u>	<u>Forecast Construction Cost</u>
2019	West Campus Paving	1,000,000
2019	Maintenance Complex	2,859,400
2019	Renovations and Capital Replacement	2,200,000
2019	Site Development	340,800
2019	Harris Park (to be completed in 2023)	83,300
2019	Fitness Center Renovation (to be completed in 2021)	39,600
2019	Gathering Hall/Administration Building (to be completed in 2020)	248,100
2019	Memory Care Kitchen Renovation	500,000
2019	Skilled Nursing Facility Replacement (to be completed in 2020)	1,086,400
2019	Garden Homes (28 units) to be completed in 2020	388,400
2020	Renovations and Capital Replacement	2,200,000
2020	Site Development	300,000
2020	Gathering Hall/Administration Building (to be completed in 2020)	7,751,900
2020	Skilled Nursing Facility Replacement (to be completed in 2020)	41,913,600
2020	Garden Homes (28 units)	11,485,300
2020	Garden Homes Site Work	2,000,000
2021	Demolition (old Skilled Nursing Facility)	500,000
2021	Renovations and Capital Replacement	2,200,000
2021	Site Development	300,000
2021	Boland Renovation	3,000,000
2021	Fitness Center Renovation (to be completed in 2021)	2,600,000
2022	Renovations and Capital Replacement	2,200,000
2022	Site Development	300,000
2023	Renovations and Capital Replacement	2,200,000
2023	Site Development	300,000
2023	Harris Park (to be completed in 2023)	<u>1,485,200</u>
		<u>\$89,482,000</u>

F. Accounts Payable and Accrued Expenses:

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

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

September 30, 2019 Through September 30, 2023

III. Operating Fund (continued)

G. Long Term Debt:

The Ministries, through the North Carolina Medical Care Commission, issued \$35,125,000 of Health Care Facilities Revenue Refunding Bonds Series 2009 and 2010 to refund the outstanding balance of their Bonds Series 2007. The 2009 and 2010 bonds have principal due in annual installments from 2019 to 2037. These bonds are issued in a bank qualified private placement structure whereby the financial institution has contracted to purchase and hold the bonds until January 1, 2023. Interest on the 2009 and 2010 bonds is payable monthly at a variable rate of 68% of one-month LIBOR, plus a credit spread of 1.2125%. The interest rate is managed through the existing swap agreement. These obligations are collateralized through a Master Trust Indenture by substantially all revenues, property and equipment of the Ministries with the exclusion of approximately 45 acres. There are various restrictive covenants on the issuance of additional debt, sale of property, maintenance of a long-term debt service coverage ratio, maintenance of a ratio of available reserves, maintenance of a minimum days cash on hand and maintenance of a minimum amount of net assets. The Ministries is planning to build a New Skilled Nursing Facility and New Gathering Hall /Administration building which is included in Note E and will fund these projects with additional long term debt.

H. Reserve on Derivative Contract:

The Ministries has an interest rate swap agreement in order to minimize its exposure to the impact of interest rate changes on its long-term debt. This enables the Ministries to maintain fixed rate debt on a significant portion of its overall long-term debt. When the prevailing variable rate differs from the fixed rate covered by the swap agreement, an asset or liability exists. The asset or liability represents the true benefit or cost the Ministries would receive or accrue if the swap agreement was terminated. The Ministries anticipates holding the interest rate swap agreement until the notional amount of debt is retired. This liability has been recorded in the five year forecast based on the value at September 30, 2018 and has not been adjusted for the periods ended September 30, 2019 through September 30, 2023.

I. Deferred Revenue From Admission Fees:

Deferred revenue from admission fees has been forecast as follows:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Balance - Beginning of Year	\$ 49,156,000	\$ 51,863,000	\$ 58,067,600	\$ 57,619,700	\$ 57,164,000
New Unit Contracts:					
Garden Homes (non-refundable)	1,650,000	3,450,000	-	-	-
Garden Homes (refundable)	1,650,000	3,450,000	-	-	-
Turnover Contracts:					
Apartments and Villas	3,200,000	3,200,000	3,700,000	3,700,000	3,700,000
Garden Homes (non-refundable)	400,000	400,000	400,000	400,000	400,000
Garden Homes (refundable)	400,000	400,000	400,000	400,000	400,000
Amortization of existing contract fees	(3,177,000)	(2,960,000)	(2,750,000)	(2,546,000)	(2,349,000)
Amortization of new contract fees					
East Campus	(216,000)	(424,000)	(657,800)	(882,300)	(1,097,500)
West Campus (non-refundable)	-	(111,400)	(340,100)	(327,400)	(314,600)
Amortization turnover	(600,000)	(600,000)	(600,000)	(600,000)	(600,000)
Refunds	<u>(600,000)</u>	<u>(600,000)</u>	<u>(600,000)</u>	<u>(600,000)</u>	<u>(600,000)</u>
Balance - End of Year	<u>\$ 51,863,000</u>	<u>\$ 58,067,600</u>	<u>\$ 57,619,700</u>	<u>\$ 57,164,000</u>	<u>\$ 56,702,900</u>
Income for the Year	<u>\$ 3,993,000</u>	<u>\$ 4,095,400</u>	<u>\$ 4,347,900</u>	<u>\$ 4,355,700</u>	<u>\$ 4,361,100</u>
Refundable Admission Fees	\$ 17,621,300	\$ 21,071,300	\$ 21,071,300	\$ 21,071,300	\$ 21,071,300
Deferred Revenue - Refundable	6,814,900	7,155,600	7,513,400	7,889,100	8,283,600
Deferred Revenue - Non-Refundable	<u>27,426,800</u>	<u>29,840,700</u>	<u>29,035,000</u>	<u>28,203,600</u>	<u>27,348,000</u>
Total Deferred Revenue - End of Year	<u>\$ 51,863,000</u>	<u>\$ 58,067,600</u>	<u>\$ 57,619,700</u>	<u>\$ 57,164,000</u>	<u>\$ 56,702,900</u>

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

September 30, 2019 Through September 30, 2023

III. Operating Fund (continued)

Admission fees received from new units have been forecast as follows:

<u>Year</u>	<u>Description</u>	<u>Average Admission Fee Per Unit</u>
2020	Garden Homes (28 units)	396,821

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

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

J. Resident Service Revenues:

Resident service revenues have been forecast based on 91% average occupancy for nursing, 97% for memory care, 91% for assisted living and 92% for independent living. All rates have been forecast to increase by 4% per year and include the forecasted addition of new units. The forecast reflects a discount from these published rates for independent living residents who signed residency contracts prior to September 30, 2003. Forecast rates are as follows:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Health Care (Daily Rates)					
Private	\$ 284	\$ 295	\$ 307	\$ 319	\$ 332
Semi-private	274	285	296	308	320
Home for aged	274	285	296	308	320
Memory care (Daily Rates)					
Skilled - Private	301	313	326	339	353
Skilled - Semi-private	291	303	315	328	341
Assisted - Private	291	303	315	328	341
Assisted - Semi-private	281	292	304	316	329
Assisted living units (Monthly Rates)					
Small	4,935	5,132	5,337	5,550	5,772
Large	5,250	5,460	5,678	5,905	6,141
2 nd person	2,292	2,384	2,479	2,578	2,681
Independent living - residents prior to 10/1/03 (Monthly Rates)					
One bedroom apartment	1,459	1,517	1,578	1,641	1,707
Two bedroom apartment	1,711	1,779	1,850	1,924	2,001
Villa A	1,711	1,779	1,850	1,924	2,001
Villa B	1,866	1,941	2,019	2,100	2,184
Villa C	1,711	1,779	1,850	1,924	2,001
Villa D	1,866	1,941	2,019	2,100	2,184
2 nd person	540	562	584	607	631
Independent living - residents subsequent to 10/1/03 (Monthly Rates)					
One bedroom apartment	1,533	1,594	1,658	1,724	1,793
Two bedroom apartment	1,733	1,802	1,874	1,949	2,027
Wittenberg					
Small	1,922	1,999	2,079	2,162	2,248
Large	2,006	2,086	2,169	2,256	2,346
Villa A	2,176	2,263	2,354	2,448	2,546
Villa B	2,262	2,352	2,446	2,544	2,646
Villa C	2,176	2,263	2,354	2,448	2,546
Villa D	2,262	2,352	2,446	2,544	2,646
2 nd person	600	624	649	675	702
Garden Home - E & F	2,587	2,690	2,798	2,910	3,026
Garden Home - G & H	2,753	2,863	2,978	3,097	3,221
Garden Home - I	2,914	3,031	3,152	3,278	3,409
Garden Home - J	2,421	2,518	2,619	2,724	2,883
2 nd person - Garden Home	617	642	668	695	723

LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES
 September 30, 2019 Through September 30, 2023

III. Operating Fund (continued)

K. Other Operating Revenues:

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

L. Operating Expenses:

The 2019 operating expenses were taken from the 2018-2019 adopted budget.

Operating expenses have been forecast to increase as follows in the following departments for 2019 through 2023.

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

IV. Endowment Fund

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

Endowment Fund investment earnings are forecast at 2% per annum. Investment earnings less investment expenses are forecast to be transferred to the Operating Fund annually.

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

ATTACHMENT 3

2017-2018 FORECASTED VS. ACTUAL

**BALANCE SHEET
STATEMENT OF OPERATIONS
STATEMENT OF CASH FLOWS**

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NC
 FORECASTED VS ACTUAL BALANCE SHEET
 SEPTEMBER 30, 2018**

	2018 FORECAST	2018 ACTUAL	\$ VARIANCE FAVORABLE (UNFAVORABLE)	% VARIANCE FAVORABLE (UNFAVORABLE)	NOTES
ASSETS					
CURRENT ASSETS:					
CASH AND CASH EQUIVALENTS	14,600,100	18,054,034	3,453,934	23.66%	(1)
INVESTMENTS	5,976,300	6,201,502	225,202	3.77%	
ACCOUNTS RECEIVABLE (NET)	1,442,700	1,241,644	(201,056)	-13.94%	
ACCRUED INTEREST RECEIVABLE	28,500	16,480	(12,020)	-42.18%	
INVENTORY	214,600	207,762	(6,838)	-3.19%	
PREPAID EXPENSES	17,700	0	(17,700)	N/A	
TOTAL CURRENT ASSETS	22,279,900	25,721,422	3,441,522	15.45%	
ASSETS WHOSE USE IS LIMITED :					
CASH - RESTRICTED DONATIONS	984,700	1,015,885	31,185	3.17%	
INVESTMENTS - OPERATING RESERVE	6,544,700	6,719,888	175,188	2.68%	
LONG-TERM INVESTMENTS - ENDOWMENT	2,570,200	2,669,879	99,679	3.88%	
TOTAL ASSETS WHOSE USE IS LIMITED	10,099,600	10,405,652	306,052	3.03%	
OTHER ASSETS :					
LONG-TERM INVESTMENTS	376,500	331,263	(45,237)	-12.02%	
PROPERTY AND EQUIPMENT, NET	83,299,300	83,341,656	42,356	0.05%	
DEFERRED BOND COSTS, NET	102,500	104,891	2,391	2.33%	
TOTAL OTHER ASSETS	83,778,300	83,777,810	(490)	0.00%	
TOTAL ASSETS	116,157,800	119,904,884	3,747,084	3.23%	
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
CURRENT MATURITIES OF LONG-TERM DEBT	2,355,000	2,355,000	0	0.00%	
ACCOUNTS PAYABLE	775,800	947,681	171,881	22.16%	
ACCRUED EXPENSES	2,146,300	2,110,547	(35,753)	-1.67%	
RESERVE ON DERIVATIVE CONTRACT	0	0	0	N/A	
DEPOSITS ON UNOCCUPIED UNITS	50,000	138,129	88,129	176.26%	
TOTAL CURRENT LIABILITIES	5,327,100	5,551,357	224,257	4.21%	
LONG-TERM DEBT, EXCLUDING CURRENT MATURITIES					
DEFERRED REVENUE FROM ADMISSION FEES - REFUNDABLE	16,700,000	16,700,000	0	0.00%	(2)
DEFERRED REVENUE FROM ADMISSION FEES - NON-REFUNDABLE	7,571,000	6,490,367	(1,080,633)	-14.27%	(3)
DEFERRED REVENUE FROM OCCUPANCY FEES	24,413,400	26,556,272	2,142,872	8.78%	(3)
REFUNDABLE ADMISSION FEES	145,600	122,500	(23,100)	-15.87%	(4)
RESERVE ON DERIVATIVE CONTRACT	14,888,500	15,971,275	1,082,775	7.27%	(4)
RESERVE ON DERIVATIVE CONTRACT	1,088,300	600,102	(488,198)	-44.86%	
TOTAL LIABILITIES	70,133,900	71,991,873	1,857,973	2.65%	
NET ASSETS:					
UNRESTRICTED:					
DESIGNATED BY BOARD FOR SELF-INSURANCE	661,500	463,061	(198,439)	-30.00%	
DESIGNATED BY BOARD FOR ENDOWMENT	201,700	209,081	7,381	3.66%	
DESIGNATED BY BOARD FOR CAPITAL RESERVE	3,295,900	3,621,383	325,483	9.88%	
DESIGNATED BY BOARD FOR DEBT SERVICE	3,541,300	3,619,250	77,950	2.20%	
DESIGNATED BY BOARD FOR OPERATING RESERVE	6,544,700	6,719,888	175,188	2.68%	
UNDESIGNATED	28,223,900	29,746,958	1,523,058	5.40%	(5)
TOTAL UNRESTRICTED NET ASSETS	42,469,000	44,379,621	1,910,621	4.50%	
TEMPORARILY RESTRICTED - DONATIONS	984,700	863,511	(121,189)	-12.31%	
PERMANENTLY RESTRICTED - ENDOWMENT	2,570,200	2,669,879	99,679	3.88%	
TOTAL NET ASSETS	46,023,900	47,913,011	1,889,111	4.10%	
TOTAL LIABILITIES AND NET ASSETS	116,157,800	119,904,884	3,747,084	3.23%	

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

NOTES ON MATERIAL DIFFERENCES:

- (1) CASH AND INVESTMENTS ARE HIGHER THAN FORECAST DUE TO LOWER THAN ANTICIPATED CAPITAL EXPENDITURES AND HIGHER THAN ANTICIPATED ADMISSION FEE RECEIPTS.
- (2) DEFERRED REVENUE FROM ADMISSION FEES - REFUNDABLE LOWER THAN FORECAST DUE TO SELLING ALL 22 NEW GARDEN HOMES IN 2017 AND NO NEW GARDEN HOMES TO SALE IN CURRENT YEAR.
- (3) DEFERRED REVENUE FROM ADMISSION FEES - NON-REFUNDABLE IS HIGHER THAN FORECAST DUE TO HIGHER THAN ANTICIPATED ADMISSION FEE RECEIPTS.
- (4) DEFERRED REVENUE FROM ADMISSION FEES - NON-REFUNDABLE IS HIGHER THAN FORECAST DUE TO HIGHER THAN ANTICIPATED ADMISSION FEE RECEIPTS.
- (5) UNDESIGNATED NET ASSETS ARE HIGHER THAN FORECAST DUE TO HIGHER THAN FORECAST OPERATING INCOME.

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NC
 FORECASTED VS ACTUAL STATEMENT OF OPERATIONS
 FOR THE YEAR ENDING SEPTEMBER 30, 2018**

	<u>2018 FORECAST</u>	<u>2018 ACTUAL</u>	<u>\$ VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>% VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>NOTES</u>
REVENUES:					
RESIDENT SERVICE REVENUES (NET)	23,467,400	24,008,896	541,496	2.31%	(1)
ADMISSION FEES EARNED	3,966,000	4,098,300	132,300	3.34%	
OTHER OPERATING REVENUES	1,875,300	2,443,117	567,817	30.28%	(2)
TOTAL REVENUES	29,308,700	30,550,313	1,241,613	4.24%	
EXPENSES:					
OPERATING EXPENSES	21,754,400	21,745,370	9,030	0.04%	
DEPRECIATION AND AMORTIZATION	5,265,400	5,179,091	86,309	1.64%	
INTEREST	776,300	847,862	(71,562)	-9.22%	
TOTAL EXPENSES	27,796,100	27,772,323	23,777	0.09%	
INCOME FROM OPERATIONS	1,512,600	2,777,990	1,265,390	83.66%	
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	74,900	210,599	135,699	181.17%	
CHANGE IN VALUE OF INTEREST RATE SWAP AGREEMENT	0	488,172	488,172	N/A	
INCREASE (DECREASE) IN NET ASSETS	1,587,500	3,476,761	1,889,261	119.01%	

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

NOTES ON MATERIAL DIFFERENCES:

- (1) RESIDENT SERVICE REVENUES WERE HIGHER THAN FORECAST DUE TO SLIGHTLY HIGHER THAN FORECAST CENSUS FOR ASSISTED LIVING AND MEMORY CARE. ALSO HIGHER THAN ANTICIPATED MEDICARE UTILIZATION IN SKILLED NURSING
- (2) OTHER OPERATING REVENUES WERE HIGHER THAN FORECAST DUE TO NET REALIZED AND UNREALIZED INVESTMENT GAINS OF \$553,746 NOT ANTICIPATED IN THE FORECAST.

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NC
FORECASTED VS ACTUAL STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING SEPTEMBER 30, 2018**

	<u>2018 FORECAST</u>	<u>2018 ACTUAL</u>	<u>\$ VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>% VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>NOTES</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
CASH RECEIVED FROM RESIDENTS AND THIRD PARTY PAYORS	25,023,900	30,430,096	5,406,196	21.60%	(1)
INVESTMENT INCOME RECEIVED	282,400	389,613	107,213	37.96%	
CONTRIBUTIONS RECEIVED	125,000	106,714	(18,286)	-14.63%	
CASH PAID TO SUPPLIERS AND EMPLOYEES	(21,581,100)	(21,605,293)	(24,193)	0.11%	
INTEREST PAID	(776,300)	(886,803)	(110,503)	14.23%	
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,073,900	8,434,327	5,360,427	174.39%	
CASH FLOWS FROM INVESTING ACTIVITIES:					
(PURCHASE) PROCEEDS OF INVESTMENTS	(841,000)	(611,852)	229,148	-27.25%	
PROCEEDS FROM SALE OF PROPERTY AND EQUIPMENT	0	26,061	26,061	N/A	
ACQUISITION OF PROPERTY AND EQUIPMENT	(7,945,900)	(7,685,594)	260,306	-3.28%	
NET CASH USED BY INVESTING ACTIVITIES	(8,786,900)	(8,271,385)	515,515	-5.87%	
CASH FLOWS FROM FINANCING ACTIVITIES:					
ADMISSION FEES RECEIVED	4,000,000	1,502,800	(2,497,200)	-62.43%	(1)
ADMISSION FEES REFUNDED	(600,000)	(420,000)	180,000	-30.00%	
DONATIONS RECEIVED	0	2,016	2,016	N/A	
MEMORIAL GARDEN FEES RECEIVED	0	1,500	1,500	N/A	
PAYMENTS OF LONG-TERM DEBT	(2,290,000)	(2,290,000)	0	0.00%	
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	1,110,000	(1,203,684)	(2,313,684)	-208.44%	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,603,000)	(1,040,742)	3,562,258	-77.39%	
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	20,187,800	20,187,717	(83)	0.00%	
CASH AND CASH EQUIVALENTS - END OF YEAR	15,584,800	19,146,975	3,562,175	22.86%	
RECONCILIATION OF CHANGE IN NET ASSETS					
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
INCREASE (DECREASE) IN NET ASSETS	1,587,500	3,476,761	1,889,261	119.01%	
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS					
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
RESTRICTED DONATIONS	0	(2,016)	(2,016)	N/A	
CHANGE IN VALUE OF DERIVATIVE CONTRACT	0	(488,172)	(488,172)	N/A	
GAIN ON DISPOSAL OF PROPERTY AND EQUIPMENT	0	(15,966)	(15,966)	N/A	
AMORTIZATION OF ADMISSION FEES	(3,966,000)	(4,098,300)	(132,300)	3.34%	
RECEIPT OF NON-REFUNDABLE ADMISSION FEES	0	4,774,833	4,774,833	N/A	(1)
REFUND ON NON-REFUNDABLE CONTRACTS	0	(92,225)	(92,225)	N/A	
DEPRECIATION AND AMORTIZATION	5,265,400	5,179,091	(86,309)	-1.64%	
NET DECREASE (INCREASE) IN RECEIVABLES, INVENTORY AND PREPAID EXPENSES	104,500	325,964	221,464	211.93%	
NET INCREASE (DECREASE) IN PAYABLES AND ACCRUED EXPENSES	184,300	91,587	(92,713)	-50.31%	
NET DECREASE IN DEFERRED OCCUPANCY FEES	(21,000)	(45,655)	(24,655)	117.40%	
NET REALIZED GAIN ON INVESTMENTS	0	(411,604)	(411,604)	N/A	
NET UNREALIZED (GAIN) LOSS ON INVESTMENTS	(80,800)	(259,971)	(179,171)	221.75%	
CASH PROVIDED BY OPERATING ACTIVITIES	3,073,900	8,434,327	5,360,427	174.39%	

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

NOTES ON MATERIAL DIFFERENCES:

- (1) FOR AUDIT PRESENTATION PURPOSES THE NET RECEIPT OF \$4,682,608 OF NON-REFUNDABLE ADMISSION FEES HAS BEEN SHOWN AS AN OPERATING ACTIVITY INSTEAD OF A FINANCING ACTIVITY AS IN THE FORECAST. OVERALL NET ADMISSION FEE RECEIPTS WERE HIGHER THAN FORECAST BY \$1,034,592 DUE TO HIGHER ADMISSION FEE RECEIPTS AND LOWER REFUNDS AS COMPARED TO FORECAST.

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



RESIDENCY CONTRACT FOR LIVING UNIT

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

BACKGROUND

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

AGREEMENT

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

- 1. **DEFINITIONS.** The following definitions shall apply:
 - a. “Admission Fee”: The up-front payment required for admission to Retirement Community. Your Admission Fee is _____ Thousand Dollars (\$_____).
 - b. “Occupancy Charge”: The monthly fee payable to Retirement Community. The goods and services covered by the Occupancy Charge are outlined in Section 6.b, below. The Occupancy Charge is _____ Dollars (\$_____) for a single occupant per month plus _____ Dollars (\$_____) for each additional occupant.
 - c. “Living Unit”: The villa, garden home, or apartment that you occupy at Retirement Community. The address of your Living Unit is _____.

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

2. ADMISSION FEE.

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

3. CANCELLATION, TERMINATION AND RESCISSION PRIOR TO OCCUPANCY

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

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

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

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

- b. Cancellation Due to Injury, Death or Incapacity. If prior to the Initial Occupancy Date you die or become unable to live independently because of illness, injury or incapacity, this Contract is automatically canceled and you or your legal representative shall receive a refund of all amounts you have paid to us subject to the provisions of paragraph d of this Section.
- c. Termination by Retirement Community. We may terminate this Contract at any time before the Initial Occupancy Date if we determine, in our sole discretion, that one of the following events has occurred: a) you made a material misrepresentation or omission in your admission application; b) you experienced

a change in your health or financial condition such that you no longer satisfy our admissions criteria; or c) you fail to pay the Admission Fee in accordance with the Payment Schedule. If we terminate this Contract, we will refund all amounts you have paid to us, subject to the provisions of paragraph d of this Section.

- d. Amount of Refund. The refund amount will be the amount you have paid us less the following: (i) the costs we specifically incurred at your request for special changes and improvements to your Living Unit and described on Exhibit 1.3 or in any amendment hereto; (ii) the monthly Occupancy Charge or other periodic charges applicable to the period of time since the Initial Occupancy Date; (iii) any other charges, including Occupancy Charges, actually incurred by you since the Initial Occupancy Date; and (iv) a service charge equal to two percent (2%) of your Admission Fee provided for herein.
- e. Timing of Payment of Refund. If this Contract is terminated under the provisions of this Section, we will pay the refund amount to which you are entitled within sixty (60) days after the date of termination.
- f. No Accrual of Interest. No interest shall accrue or be payable on the refund to which you may be entitled under this Contract.

4. MONTHLY OCCUPANCY CHARGES.

- a. Commencement. Beginning on the "start billing" date specified on the Billing Information Form (to be signed by you at closing and attached as an addendum to this contract) and continuing for each month or portion thereof while you occupy your Living Unit, you will pay us a monthly Occupancy Charge. The monthly Occupancy Charge for your first month of occupancy will be payable with your second month's bill. You will pay all subsequent monthly Occupancy Charges in advance on the first day of each calendar month. We reserve the right to charge interest on any past due monthly Occupancy Charges at a rate of one and one-half percent (1½%) per month. Monthly Occupancy Charges not received by the 10th day of the month for which the charge is payable shall be deemed past due. If you do not pay your monthly Occupancy Charges as agreed, we may terminate this Contract as described in Section 9, below. In addition, we may deduct the unpaid charges plus accrued interest and our reasonable attorneys' fees from any refund of your Admission Fee to which you might subsequently be entitled.
- b. Amount of Monthly Occupancy Charge. The initial Occupancy Charge is the amount shown in Section 1 of this Contract. We reserve the right to change the monthly Occupancy Charge as we deem appropriate. We consider a number of financial, economic, programmatic and regulatory factors in developing our annual operating budget and potential increases in fees for our residents. These factors include, but are not limited to, competitive market pressures such as employee wages and benefits, insurance costs and cost of capital; projected increases from vendors and other providers of goods and services; adjustments in government programs such as Medicare and Medicaid; additional resident service programs; repair and maintenance of facilities; and technological advances.

The amount of your Occupancy Charge may change between the date of this contract and the date your first Occupancy Charge is due; in such event, we will advise you in writing in advance of the change. It is our policy not to change the

Occupancy Charge more than twice each calendar year, but we reserve the right to make more frequent changes should we deem it appropriate.

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

5. OCCUPANCY OF LIVING UNIT.

- a. Right to Occupy. You have the right to occupy the Living Unit identified in Section 1 of this Contract, and more specifically identified on attached Exhibit 3.1, from the Initial Occupancy Date until the right to occupy your Living Unit is terminated as herein provided. You agree that no one other than you will occupy your Living Unit without our advance written consent. You do not need to obtain our consent for an occasional overnight guest who stays one week or less with you. No one who resides with you, whether with or without our consent, shall have any rights under this Contract, or any claim for care or services from us.
- b. Joint Occupancy. If this Contract is entered into by two individuals for joint residency of a single living unit, each joint resident is jointly and severally liable for the payment and performance of all obligations under this Contract. If one joint resident dies or abandons the Living Unit, the remaining resident shall continue to be obligated under this Contract, except that we will charge you the monthly Occupancy Fee for only one person.
- c. Marriage during Term of Contract. If you marry during the term of this Contract, the following shall apply:
 - i. Marriage to Another CCRC Contract Holder. If you marry someone who also is a resident of the Retirement Community under a CCRC contract with us, you may surrender either of the living units and choose to occupy one.

If you surrender the living unit described in this Contract, refund of your Admission Fee will be governed by this Contract. If you choose to occupy the living unit described in this Contract, you will begin paying the Occupancy Charge for two occupants when your spouse moves into your Living Unit.

- ii. Marriage to a Person Not a CCRC Contract Holder. If you marry someone who is not a resident of the Retirement Community under a CCRC contract with us, your spouse may become a resident of your Living Unit if your spouse 1) meets all the current requirements for admission to the type of Living Unit you occupy; 2) signs this contract and any amendments we deem necessary; and 3) pays an additional Admission Fee, the amount to be determined by the retirement community. If your spouse does not meet our requirements for admission or chooses not to become a CCRC contract holder with us, you may request that your spouse be permitted to occupy your unit. If we approve your spouse's occupancy, you will pay a second person Occupancy Charge for your spouse, but your spouse will have no rights under this contract and no claim for care, services or residency from us.

- d. Relocation to Another Independent Living Unit. We will consider your request to move from one living unit to another within Independent Living, and we reserve the exclusive right to determine, in our discretion, whether to permit such a move. A move to another living unit does not cause any change to the accrual period used to determine the refund amount to which you may be entitled upon termination of this Contract. Such a move will not entitle you to any part of the accrual portion of your Admission Fee. You may be charged an additional Admission Fee equal to the difference between the then current Admission Fee for the new unit and the Admission Fee you paid for your Living Unit under this Contract. In addition, you will be charged the cost of refurbishing your prior Living Unit (payable in an installment of one-half of the estimated cost prior to moving, and the balance upon invoice from us), and you will be responsible for your cost of moving.

6. FACILITIES AND SERVICES PROVIDED BY RETIREMENT COMMUNITY.

- a. Physical Facilities. The Retirement Community consists of apartments, villas, and garden homes for Independent Living; apartments for Assisted Living; a Healthcare Facility; a Memory Care Facility; administrative and staff offices; recreational facilities; facilities for preparing and serving meals; and common activities facilities.

- b. Basic Services. The following basic services and expenses will be covered by your monthly Occupancy Charge:
 - i. Insurance. We carry fire and extended coverage insurance on our buildings and liability coverage for the Retirement Community. You are required to secure and are responsible for the cost of property and casualty and liability insurance for your personal belongings and other personal property located at the Retirement Community. We do not carry insurance on your personal property.

- ii. Utilities. We furnish and pay for the cost of heat and electricity, air conditioning, cable television service, internet service, water and sewer services, and trash collection. You are responsible for the cost of installation of telephone service and the monthly charge for that service.
 - iii. Fixtures. We furnish your home with window blinds, an electric range, a built-in microwave, a refrigerator, and a garbage disposal. Washing machines and clothes dryers are accessible to apartment units; washing machines, clothes dryers and dishwashers are standard in all other floor plans.
 - iv. General Maintenance of Common Areas and Grounds. We maintain all common areas and grounds.
 - v. Parking Spaces. You and your guests are entitled to the nonexclusive use of the parking areas designated on the Retirement Community premises for resident and visitor parking.
 - vi. Recreational, Social and Religious Activities. We provide recreational, physical, social, spiritual, educational and cultural activities as we determine in our discretion.
 - vii. Emergency Nursing Assistance. Our nursing staff is on call twenty-four hours a day for emergencies.
 - viii. Maintenance of Living Unit and Fixtures. We maintain the structural portion of your home and the fixtures described in Section 6.b.iii above. This maintenance does not include housekeeping or maintenance of your personal property.
 - ix. Transportation. We provide regularly scheduled group transportation to selected medical facilities, shopping malls and grocery stores. The schedule and locations may be adjusted, modified, and changed at our discretion.
 - x. Annual Cleaning. Our housekeeping staff will perform an annual cleaning of your home at no additional charge to you. Advance notice will be given for annual cleaning dates.
 - xi. Grace Days. We will use good faith efforts to make available each calendar year up to three days per independent living resident of temporary care in one of our facilities without additional occupancy charge to you. These grace days do not renew in the event of a long-term move to healthcare. These grace days shall not be cumulative or transferable to another resident, whether such resident is a party to this or another Contract. Please note that fees for services (including, but not limited to, salon, therapy, transportation, and pharmacy) used during a stay in health care will not be waived.
- c. Optional Services. We may make certain services available to you to purchase at your option on a fee-for-service basis. Fees for such services will be payable either at the time the service is rendered or upon billing by us, as we deem appropriate. Such optional services may be expanded or reduced in our sole discretion. Optional services currently include:

- i. Meal Service. Meal service is available at the Pepper Tree Cafeteria on an à la carte basis. Meals are available at The Terrace Restaurant in the Boland Center as posted.
- ii. Housekeeping. Housekeeping services are available at rates established by Retirement Community.
- iii. Transportation. Limited personal transportation service is available.
- iv. Home Care. Private duty personal services are available and are provided by certified nursing assistants.
- v. Rehabilitation. Speech Therapy, Occupational Therapy and Physical Therapy services are available in the Coble Healthcare Facility.
- vi. Salon Services. A salon is located in the Coble Healthcare Facility and is available for use by residents of the Retirement Community.

7. MAINTENANCE OF LIVING UNIT.

a. Your Responsibilities. You agree:

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

b. Our Responsibilities. We agree:

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

8. RESIDENT ACCESS TO OTHER RETIREMENT COMMUNITY FACILITIES.

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

9. TERMINATION AFTER INITIAL OCCUPANCY DATE.

- a. Termination by You after Initial Occupancy Date. After the Initial Occupancy Date you have the right to terminate this Contract at any time for any reason, by giving us at least thirty (30) days' written notice. In addition, this Contract will automatically terminate thirty (30) days after your death or abandonment of your Living Unit.
- b. Termination by Retirement Community After Initial Occupancy Date. After the Initial Occupancy Date we may terminate this Contract upon thirty (30) days' written notice to you for any of the following reasons: i) we determine, after consulting with a physician we select, that you pose a threat to yourself or to the health, safety or welfare of our other Residents; ii) you require care that we do not or cannot provide; iii) our Board of Directors determines, in its sole discretion, that you are not compatible with our other residents or that you are disruptive of the Retirement Community's environment; iv) you fail to pay the monthly Occupancy Charge for your Living Unit or charges for other services and facilities provided by us to you; v) you fail to comply with your commitment, under the terms of this Contract, not to shelter assets or otherwise arrange your financial affairs in a manner that would enable you to become eligible for a program or programs of public assistance such as Medicaid without having first obtained the written consent of our Chief Executive Officer; or vi) you fail to comply with the terms of this Contract or with our published rules, regulations and policies as amended from time to time.
- c. Your Obligations upon Termination of this Contract. If this Contract terminates under this Section 9 of the Contract, you agree that, within thirty (30) days after written notice of termination, you will remove (or in the event of your death, your legal representative within thirty days of your death will so remove) all of your personal property from your Living Unit and you will vacate the Living Unit, leaving it in the same condition as on the Initial Occupancy Date, except for normal wear and tear.

- d. Our Right to Remove and Dispose of Your Personal Property. We may remove any personal property that you do not remove from your Living Unit by the end of the thirty-day notice period. We may, but are not obligated to, pack and store any items we choose, and you agree to pay the actual cost for such packing and storage. You also agree that we are not responsible for any damage that occurs to your personal property remaining in your Living Unit after you have vacated the Living Unit. If you do not pay the packing/storage fee and do not retrieve your personal property within three (3) months of your last day of occupancy, we may dispose of the personal property in any manner we deem appropriate, and we shall not be liable to you or your heirs for such personal property or any proceeds from the sale of such personal property.
- e. Payment of Admission Fee Refund upon Termination of this Contract. If this Contract is terminated within two and one-half years (that is, within 912 days) after the Initial Occupancy Date, you shall be entitled to receive a refund of a portion of your admission fee. No part of the amount you paid us to make special changes or improvements to your Living Unit, as described on Exhibit 1.3 or in any amendment hereto, is refundable.

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

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

$$\text{Amount of Refund in Dollars} = \left[\left(\frac{\text{Admission Fee} \times 96\%}{912} \right) \times \left(912 \text{ minus } \begin{array}{l} \text{Number of} \\ \text{Days (Full or} \\ \text{Partial) in} \\ \text{your Accrual} \\ \text{Period as} \\ \text{calculated} \\ \text{below} \end{array} \right) \right]$$

Thus, the refund amount declines ratably over a 30-month period that begins on your initial occupancy date. The amount that declines ratably is equal to 96% of your admission fee.

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

- i. Accrual Period. For purposes of calculating the refund payable to you under this provision of the Contract, the first day of your Accrual Period shall be the Initial Occupancy Date; the last day of your Accrual Period shall be the day on which you a) have ceased to be a resident of the Retirement

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

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

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

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

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

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

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

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

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

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

11. REPRESENTATIONS AND FURTHER AGREEMENTS BY YOU.

- a. Health and Financial Information Material Part of Contract. You acknowledge that the medical, personal, and financial information you submitted as part of your application with us is a material part of this Contract, and that we have relied upon that information in determining your ability to meet the financial obligations of residency in the Retirement Community.
- b. Prohibition against Medicaid Planning and Other Asset Protection Planning Strategies. We must protect ourselves and our residents against the risk to the financial strength of the Retirement Community that could be caused by a resident engaging in financial planning designed to protect that resident's financial resources against the cost of medical care for that resident or that resident's spouse ("Medicaid Planning"). Medicaid Planning includes, but is not limited to, the making of gifts; the funding of trusts; the investment in or purchase of assets that are deemed not to count as resources for purposes of determining one's eligibility for government programs such as Medicaid; and engaging in other strategies designed to enable the resident to become eligible for financial assistance from government programs before the resident has exhausted the resident's resources in paying for the resident's normal living expenses and the resident's medical care. As a material and express condition of this Contract, you agree not to engage in Medicaid Planning without having first obtained the written consent of the Chief Executive Officer of Retirement Community. Furthermore, pursuant to Section 1396ra(c)(5)(B)(V) of Chapter 42 of the United States Code, a material and express condition of this Contract is your agreement not to seek assistance from Medicaid with the cost of your care until you have

exhausted, through payment for your health, maintenance and support, the financial resources set forth on your application for admission to Twin Lakes Community.

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

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

- i. Valuables. Neither we nor our employees are responsible for any valuables or money in your possession. We accept full responsibility for valuables and money turned over to us for safekeeping.
- j. Rules and Regulations. You agree to abide by all rules and regulations in effect from time to time and applicable to residents of the Retirement Community.
- k. Tobacco Free Campus. Twin Lakes Community is a tobacco-free campus. The use of tobacco products is strictly prohibited on our campus, including within private residences on our campus. You agree to adhere to, and to ensure that any guests of yours adhere to, our tobacco-free policy, and to any modifications to the policy.
- l. Pets. You agree that, without our prior written consent, you will not keep or maintain either temporarily or permanently any dogs, cats or other animals or pets, except for fish or small birds in appropriate containers.
- m. Non-Assignment. Your rights and privileges under this Contract are personal to you and cannot be transferred or assigned to any other person voluntarily or by execution of law. No person other than you may occupy your Living Unit except with our prior written approval.
- n. Additional Obligations. In addition to the other obligations under this Contract, you agree:
 - i. To absolve and release us and our employees of any responsibility for any event, accident or deterioration of medical condition while you are away from the premises of the Retirement Community and not under the direct care and supervision of our staff.
 - ii. To pay and indemnify us for all costs we incur, including reasonable attorney's fees, if you fail to pay any amount due us under the terms of the Contract, or if you breach any other terms of this Contract.
 - iii. If you are injured by a third party, you agree that we shall be subrogated to your rights to recover from such third party the costs and expenses incurred by reason of such injuries, and you authorize us to take all necessary steps to enforce the payment of such costs and expenses by the responsible third party.
 - iv. You agree to pay or reimburse us for any loss or damage we suffer as a result of the negligence or misconduct of you or your guest or invitee. We assume no responsibility for any injury or illness you suffer as a result of the negligence or intentional misconduct of any third party.
- o. Nature of Your Rights. Your rights under this Contract are the rights and privileges herein expressly granted and do not include any proprietary interest or membership in the Retirement Community.
- p. Obligations Divisible. If a portion of this Contract shall be determined to be illegal or unenforceable or not in conformity with applicable laws and regulations, the remainder of this Contract shall continue in full force and effect.

- q. Disclosure Statement. You hereby acknowledge that you have received a copy of our current disclosure statement. In the event of any discrepancy between the language contained in this Contract and the language contained in the disclosure statement, the language of this Contract shall control. You further acknowledge that, prior to the execution of this Contract, you have transferred to us no money or other property except for your deposit money.
- r. Successors and Assigns. This Contract shall be binding upon, inure to the benefit of, and be enforceable by, Lutheran Retirement Ministries of Alamance County, North Carolina d/b/a Twin Lakes Community, its successors and assigns.
- s. Transfer to Another Level of Care. If you transfer to another level of care at the Retirement Community, you agree to enter into an addendum agreement at that time specific to the new level of care. The Addendum will contain terms and occupancy rates consistent with the terms and rates then offered by us to other residents for that level of care.
- t. Evaluation by a Physician. You agree to permit a physician selected by Retirement Community to evaluate you should we believe, in our sole discretion, that you may pose a threat to yourself or to the health, safety or welfare of our other residents or that you require care that we do not or cannot provide.
- u. Site Plans. All structures and improvements not constructed as of the date of this Contract but shown on a site plan or in advertising or promotional material for the Retirement Community are solely for the illustrative purposes of showing the proposed development of the Retirement Community, and we are under no obligation to you to complete such structures or improvements.
- v. Entire Contract. This Contract constitutes the entire agreement between you and us. We are not liable for or bound in any manner by any statements, representations or promises made by any person representing or purporting to represent us unless such statements, representations or promises are set forth in this Contract.
- w. Governing Law. This Contract shall be governed by and interpreted in accordance with the law of the State of North Carolina and any applicable federal laws.
- x. Amendments Only in Writing. This Contract may only be amended or changed in writing by all parties to the Contract and in accordance with any applicable laws governing the Contract. This Contract replaces any prior contracts between the parties.

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

PAMELA S. FOX, PRESIDENT / CEO

RESIDENT

RESIDENT



**RESIDENCY CONTRACT FOR LIVING UNIT
50% Refundable Admission**

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

BACKGROUND

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

AGREEMENT

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

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

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

2. ADMISSION FEE.

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

3. CANCELLATION, TERMINATION AND RESCISSION PRIOR TO OCCUPANCY

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

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

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

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

- b. Cancellation Due to Injury, Death or Incapacity. If prior to the Initial Occupancy Date you die or become unable to live independently because of illness, injury or incapacity, this Contract is automatically canceled and you or your legal representative shall receive a refund of all amounts you have paid to us subject to the provisions of paragraph d of this Section.

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

4. MONTHLY OCCUPANCY CHARGES.

- a. Commencement. Beginning on the "start billing" date specified on the Billing Information Form (to be signed by you at closing and attached as an addendum to this contract) and continuing for each month or portion thereof while you occupy your Living Unit, you will pay us a monthly Occupancy Charge. The monthly Occupancy Charge for your first month of occupancy will be payable with your second month's bill. You will pay all subsequent monthly Occupancy Charges in advance on the first day of each calendar month. We reserve the right to charge interest on any past due monthly Occupancy Charges at a rate of one and one-half percent (1½%) per month. Monthly Occupancy Charges not received by the 10th day of the month for which the charge is payable shall be deemed past due. If you do not pay your monthly Occupancy Charges as agreed, we may terminate this Contract as described in Section 9, below. In addition, we may deduct the unpaid charges plus accrued interest and our reasonable attorneys' fees from any refund of your Admission Fee to which you might subsequently be entitled.
- b. Amount of Monthly Occupancy Charge. The initial Occupancy Charge is the amount shown in Section 1 of this Contract. We reserve the right to change the monthly Occupancy Charge as we deem appropriate. We consider a number of financial, economic, programmatic and regulatory factors in developing our annual operating budget and potential increases in fees for our residents. These factors include, but are not limited to, competitive market pressures such as employee wages and benefits, insurance costs and cost of capital; projected increases from vendors and other providers of goods and services; adjustments

in government programs such as Medicare and Medicaid; additional resident service programs; repair and maintenance of facilities; and technological advances.

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

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

5. OCCUPANCY OF LIVING UNIT.

- a. Right to Occupy. You have the right to occupy the Living Unit identified in Section 1 of this Contract, and more specifically identified on attached Exhibit 3.1, from the Initial Occupancy Date until the right to occupy your Living Unit is terminated as herein provided. You agree that no one other than you will occupy your Living Unit without our advance written consent. You do not need to obtain our consent for an occasional overnight guest who stays one week or less with you. No one who resides with you, whether with or without our consent, shall have any rights under this Contract, or any claim for care or services from us.
- b. Joint Occupancy. If this Contract is entered into by two individuals for joint residency of a single living unit, each joint resident is jointly and severally liable for the payment and performance of all obligations under this Contract. If one joint resident dies or abandons the Living Unit, the remaining resident shall

continue to be obligated under this Contract, except that we will charge you the monthly Occupancy Fee for only one person.

c. Marriage during Term of Contract. If you marry during the term of this Contract, the following shall apply:

i. Marriage to Another CCRC Contract Holder. If you marry someone who also is a resident of the Retirement Community under a CCRC contract with us, you may surrender either of the living units and choose to occupy one. If you surrender the living unit described in this Contract, refund of your Admission Fee will be governed by this Contract. If you choose to occupy the living unit described in this Contract, you will begin paying the Occupancy Charge for two occupants when your spouse moves into your Living Unit.

ii. Marriage to a Person Not a CCRC Contract Holder. If you marry someone who is not a resident of the Retirement Community under a CCRC contract with us, your spouse may become a resident of your Living Unit if your spouse 1) meets all the current requirements for admission to the type of Living Unit you occupy; 2) signs this contract and any amendments we deem necessary; and 3) pays an additional Admission Fee, the amount to be determined by the retirement community. If your spouse does not meet our requirements for admission or chooses not to become a CCRC contract holder with us, you may request that your spouse be permitted to occupy your unit. If we approve your spouse's occupancy, you will pay a second person Occupancy Charge for your spouse, but your spouse will have no rights under this contract and no claim for care, services or residency from us.

d. Relocation to Another Independent Living Unit. We will consider your request to move from one living unit to another within Independent Living, and we reserve the exclusive right to determine, in our discretion, whether to permit such a move. A move to another living unit does not cause any change to the accrual period used to determine the refund amount to which you may be entitled upon termination of this Contract. Such a move may entitle you to a refund of the 50% refundable portion of your Admission Fee, but will not entitle you to any part of the accrual portion of your Admission Fee. You may be charged an additional Admission Fee equal to the difference between the then current Admission Fee for the new unit and the accrual portion of the Admission Fee you paid for your Living Unit under this Contract. In addition, you will be charged the cost of refurbishing your prior Living Unit (payable in an installment of one-half of the estimated cost prior to moving, and the balance upon invoice from us), and you will be responsible for your cost of moving.

6. FACILITIES AND SERVICES PROVIDED BY RETIREMENT COMMUNITY.

a. Physical Facilities. The Retirement Community consists of apartments, villas, and garden homes for Independent Living; apartments for Assisted Living; a Healthcare Facility; a Memory Care Facility; administrative and staff offices; recreational facilities; facilities for preparing and serving meals; and common activities facilities.

- b. Basic Services. The following basic services and expenses will be covered by your monthly Occupancy Charge:
- i. Insurance. We carry fire and extended coverage insurance on our buildings and liability coverage for the Retirement Community. You are required to secure and are responsible for the cost of property and casualty and liability insurance for your personal belongings and other personal property located at the Retirement Community. We do not carry insurance on your personal property.
 - ii. Utilities. We furnish and pay for the cost of heat and electricity, air conditioning, cable television service, internet service, water and sewer services, and trash collection. You are responsible for the cost of installation of telephone service and the monthly charge for that service.
 - iii. Fixtures. We furnish your home with window blinds, an electric range, a built-in microwave, a refrigerator, and a garbage disposal. Washing machines and clothes dryers are accessible to apartment units; washing machines, clothes dryers and dishwashers are standard in all other floor plans.
 - iv. General Maintenance of Common Areas and Grounds. We maintain all common areas and grounds.
 - v. Parking Spaces. You and your guests are entitled to the nonexclusive use of the parking areas designated on the Retirement Community premises for resident and visitor parking.
 - vi. Recreational, Social and Religious Activities. We provide recreational, physical, social, spiritual, educational and cultural activities as we determine in our discretion.
 - vii. Emergency Nursing Assistance. Our nursing staff is on call twenty-four hours a day for emergencies.
 - viii. Maintenance of Living Unit and Fixtures. We maintain the structural portion of your home and the fixtures described in Section 6.b.iii above. This maintenance does not include housekeeping or maintenance of your personal property.
 - ix. Transportation. We provide regularly scheduled group transportation to selected medical facilities, shopping malls and grocery stores. The schedule and locations may be adjusted, modified, and changed at our discretion.
 - x. Annual Cleaning. Our housekeeping staff will perform an annual cleaning of your home at no additional charge to you. Advance notice will be given for annual cleaning dates.
 - xi. Grace Days. We will use good faith efforts to make available each calendar year up to three days per independent living resident of temporary care in one of our facilities without additional occupancy charge to you. These grace days do not renew in the event of a long-

term move to healthcare. These grace days shall not be cumulative or transferable to another resident, whether such resident is a party to this or another Contract. Please note that fees for services (including, but not limited to, salon, therapy, transportation, and pharmacy) used during a stay in health care will not be waived.

- c. Optional Services. We may make certain services available to you to purchase at your option on a fee-for-service basis. Fees for such services will be payable either at the time the service is rendered or upon billing by us, as we deem appropriate. Such optional services may be expanded or reduced in our sole discretion. Optional services currently include:
- i. Meal Service. Meal service is available at the Pepper Tree Cafeteria on an à la carte basis. Meals are available at The Terrace Restaurant in the Boland Center as posted.
 - ii. Housekeeping. Housekeeping services are available at rates established by Retirement Community.
 - iii. Transportation. Limited personal transportation service is available.
 - iv. Nursing. Private duty personal services are available and are provided by certified nursing assistants.
 - v. Rehabilitation. Speech Therapy, Occupational Therapy and Physical Therapy services are available in the Coble Healthcare Facility.
 - vi. Salon Services. A salon is located in the Coble Healthcare Facility and is available for use by residents of the Retirement Community.

7. MAINTENANCE OF LIVING UNIT.

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

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

8. RESIDENT ACCESS TO OTHER RETIREMENT COMMUNITY FACILITIES.

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

9. TERMINATION AFTER INITIAL OCCUPANCY DATE.

- a. Termination by You after Initial Occupancy Date. After the Initial Occupancy Date you have the right to terminate this Contract at any time for any reason, by giving us at least thirty (30) days' written notice. In addition, this Contract will automatically terminate thirty (30) days after your death or abandonment of your Living Unit.
- b. Termination by Retirement Community After Initial Occupancy Date. After the Initial Occupancy Date we may terminate this Contract upon thirty (30) days' written notice to you for any of the following reasons: i) we determine, after consulting with a physician we select, that you pose a threat to yourself or to the health, safety or welfare of our other Residents; ii) you require care that we do not or cannot provide; iii) our Board of Directors determines, in its sole discretion, that you are not compatible with our other residents or that you are disruptive of the Retirement Community's environment; iv) you fail to pay the monthly Occupancy Charge for your Living Unit or charges for other services and facilities provided by us to you; v) you fail to comply with your commitment, under the terms of this Contract, not to shelter assets or otherwise arrange your financial affairs in a manner that would enable you to become eligible for a program or programs of public assistance such as Medicaid without having first

obtained the written consent of our Chief Executive Officer; or vi) you fail to comply with the terms of this Contract or with our published rules, regulations and policies as amended from time to time.

- c. Your Obligations upon Termination of this Contract. If this Contract terminates under this Section 9 of the Contract, you agree that, within thirty (30) days after written notice of termination, you will remove (or in the event of your death, your legal representative within thirty days of your death will so remove) all of your personal property from your Living Unit and you will vacate the Living Unit, leaving it in the same condition as on the Initial Occupancy Date, except for normal wear and tear.
- d. Our Right to Remove and Dispose of Your Personal Property. We may remove any personal property that you do not remove from your Living Unit by the end of the thirty-day notice period. We may, but are not obligated to, pack and store any items we choose, and you agree to pay the actual cost for such packing and storage. You also agree that we are not responsible for any damage that occurs to your personal property remaining in your Living Unit after you have vacated the Living Unit. If you do not pay the packing/storage fee and do not retrieve your personal property within three (3) months of your last day of occupancy, we may dispose of the personal property in any manner we deem appropriate, and we shall not be liable to you or your heirs for such personal property or any proceeds from the sale of such personal property.
- e. Payment of Admission Fee Refund upon Termination of this Contract. Upon termination of this Contract after the Initial Occupancy Date, you shall be entitled to receive a refund of a portion of your admission fee. No part of the amount you paid us to make special changes or improvements to your Living Unit, as described on Exhibit 1.3 or in any amendment hereto, is refundable.

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

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

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

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

- i. Accrual Period. For purposes of calculating the refund payable to you under this provision of the Contract, the first day of your Accrual Period shall be the Initial Occupancy Date; the last day of your Accrual Period shall be the day on which you a) have ceased to be a resident of the Retirement Community in any level of care; b) have removed all of your personal property from the Living Unit (or from such other unit within the facilities of the Retirement Community as you occupied at the time you ceased to be a resident of the Retirement Community); and c) have delivered to us your keys to the Living Unit, thereby relinquishing your free access to the Living Unit. You and we recognize that the first thirty (30) days of your Accrual Period are subject to the provisions of the Section of this Contract entitled "Right to Rescind." Under no circumstances shall the accrual period exceed 912 days.
- ii. No Refund During Your Residency. No refund of the Accrual Amount shall be paid when you continue to be a resident of the Retirement Community, whether in another unit or under a different level of care within the facilities of the Retirement Community.
- iii. No Interest on Refund. No interest shall be payable on the refund.
- iv. Timing of Payment of Refund. We will pay the refund amount to you within sixty (60) days after we collect a new Admission Fee for your Living Unit from a new resident or after you have ceased to be a resident of the Retirement Community, whichever shall later occur.

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

- a. Mediation. You and we agree that if you or your representative has a claim or dispute against us, you or your representative shall notify us in writing of the dispute and shall provide a description and factual details of the nature of the claim or dispute. You and we
 - i. May submit evidence or information in writing to a mediator, to be designated by the mutual agreement of you and us, in support of the

claim or dispute and of any defense either of us may have to the claim. If you and we cannot agree on the designation of a mediator, each party shall select a mediator, and those two mediators shall then select a third mediator who will mediate the dispute. This selection of a mediator shall be binding upon both of us;

- ii. Have the right to a hearing before the mediator, at which you and we may present evidence in support of or in defense of any such claim or dispute to the extent allowed by the mediator. The mediator will set the time and date of the hearing and assist each of us in an unbiased manner in attempting to reach an amicable settlement of the claim or dispute;
- iii. Agree that the mediation shall be scheduled at a time convenient for you and us and shall be held in Alamance County, North Carolina;
- iv. Agree that, if either of us refuses to negotiate or mediate in a good faith attempt to resolve the matter of concern, the mediator shall be required to note that fact in the mediator's conclusion to the mediation attempt;
- v. Agree that, in the event the parties are unable to reach an amicable settlement, we will then submit the dispute to a mandatory, binding arbitration consistent with the North Carolina Uniform Arbitration Act and the rules of the American Arbitration Association, as set forth below.

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

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

The decision of the Arbitrator shall be final, shall not be appealable and shall not be stayed, and judgment upon such decision may be entered in any court of competent jurisdiction. Application may be made to

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

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

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

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

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

11. REPRESENTATIONS AND FURTHER AGREEMENTS BY YOU.

- a. Health and Financial Information Material Part of Contract. You acknowledge that the medical, personal, and financial information you submitted as part of your application with us is a material part of this Contract, and that we have relied upon that information in determining your ability to meet the financial obligations of residency in the Retirement Community.
- b. Prohibition against Medicaid Planning and Other Asset Protection Planning Strategies. We must protect ourselves and our residents against the risk to the financial strength of the Retirement Community that could be caused by a resident engaging in financial planning designed to protect that resident's financial resources against the cost of medical care for that resident or that resident's spouse ("Medicaid Planning"). Medicaid Planning includes, but is not

limited to, the making of gifts; the funding of trusts; the investment in or purchase of assets that are deemed not to count as resources for purposes of determining one's eligibility for government programs such as Medicaid; and engaging in other strategies designed to enable the resident to become eligible for financial assistance from government programs before the resident has exhausted the resident's resources in paying for the resident's normal living expenses and the resident's medical care. As a material and express condition of this Contract, you agree not to engage in Medicaid Planning without having first obtained the written consent of the Chief Executive Officer of Retirement Community. Furthermore, pursuant to Section 1396ra(c)(5)(B)(V) of Chapter 42 of the United States Code, a material and express condition of this Contract is your agreement not to seek assistance from Medicaid with the cost of your care until you have exhausted, through payment for your health, maintenance and support, the financial resources set forth on your application for admission to Twin Lakes Community.

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

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

monthly Occupancy Charge for special services or supplies that we, in our discretion, deem reasonable or necessary.

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

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

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

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

PAMELA S. FOX, PRESIDENT / CEO

RESIDENT

RESIDENT

**LUTHERAN RETIREMENT MINISTRIES
OF ALAMANCE COUNTY, NORTH CAROLINA
d/b/a
TWIN LAKES COMMUNITY
DISCLOSURE STATEMENT
ATTACHMENT 5
INTERIM FINANCIAL STATEMENT**

**LUTHERAN RETIREMENT MINISTRIES
OPERATING FUND
STATEMENT OF OPERATIONS**

	DECEMBER 2018	DECEMBER BUDGET	YTD ACTUAL	YTD BUDGET	LAST YEAR ACTUAL YTD
REVENUE					
NURSING	\$ 816,382	\$ 787,142	\$ 2,416,984	\$ 2,361,425	\$ 2,235,624
INDEPENDENT LIVING	926,121	909,025	2,789,442	2,727,075	2,762,139
ASSISTED LIVING	176,124	159,650	510,709	478,950	411,358
MEMORY CARE	287,541	277,100	821,461	831,300	825,079
ANCILLARIES & OTHER	231,855	259,775	752,064	779,325	751,329
INVESTMENT INCOME	47,175	19,917	122,306	59,750	68,360
CONTRIBUTIONS	47,436	13,750	73,846	41,250	86,424
CONTRACTUAL ADJUSTMENTS	(227,148)	(247,267)	(672,757)	(741,800)	(569,658)
TOTAL REVENUE	\$ 2,305,486	\$ 2,179,092	\$ 6,814,055	\$ 6,537,275	\$ 6,570,655
OPERATING EXPENSES					
SALARIES	\$ 1,078,307	\$ 987,126	\$ 3,073,776	\$ 2,961,375	\$ 2,868,894
BENEFITS	286,941	281,066	883,703	843,199	778,510
SUPPLIES	277,049	244,841	713,211	734,524	687,466
UTILITIES	144,189	133,625	416,574	400,875	399,488
INSURANCE	30,392	30,392	91,176	91,175	89,700
INTEREST	67,936	99,350	229,581	298,050	194,902
BOND PRINCIPAL	100,100	100,008	300,300	300,025	584,700
OTHER EXPENSES	161,324	214,520	519,226	643,562	598,986
CAPITAL EXPENDITURES	13,665	52,792	41,094	158,375	12,094
TOTAL OPERATING EXPENSES	\$ 2,159,903	\$ 2,143,720	\$ 6,268,641	\$ 6,431,160	\$ 6,214,740
OPERATING INCOME - BUDGETARY BASIS	\$ 145,583	\$ 35,372	\$ 545,414	\$ 106,115	\$ 355,915
ADD: ADMISSION FEES EARNED			975,000		1,024,575
EQUIPMENT PURCHASES			41,094		12,094
BOND PRINCIPAL			300,300		584,700
HEALTH INSURANCE CLAIMS			185,436		(173,842)
RESTRICTED DONATIONS RECEIVED			28,773		36,564
LESS: DEPRECIATION			(1,368,750)		(1,305,000)
INVESTMENTS MARKET VALUE			(408,294)		249,076
PLEDGES PAYABLE			(75,000)		(85,000)
TRANSFER FROM RESIDENT ASSISTANCE			(15,000)		(15,000)
OPERATING INCOME - FULL ACCRUAL BASIS			\$ 208,973		\$ 684,082

**LUTHERAN RETIREMENT MINISTRIES
OPERATING FUND
BALANCE SHEETS**

	DECEMBER <u>2018</u>	DECEMBER <u>2017</u>
<u>ASSETS</u>		
CASH AND INVESTMENTS - UNRESTRICTED	25,869,152	26,461,060
CASH AND INVESTMENTS - RESTRICTED	7,694,629	7,110,355
ACCOUNTS RECEIVABLE	1,259,701	1,355,180
INVENTORY AND PREPAID EXPENSES	227,581	193,722
PROPERTY AND EQUIPMENT - NET	82,661,696	79,978,341
BOND CLOSING COSTS	104,891	118,533
	<hr/>	<hr/>
TOTAL ASSETS	<u>117,817,650</u>	<u>115,217,191</u>
<u>LIABILITIES AND FUND BALANCE</u>		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	3,152,674	2,511,135
ACCRUED SWAP LIABILITY	699,306	981,833
TAX EXEMPT BONDS PAYABLE	19,055,000	21,345,000
REFUNDABLE ADMISSION FEES	16,169,275	15,024,475
DEFERRED REVENUE FROM ADMISSION FEES	33,583,011	32,391,091
DEFERRED REVENUE FROM OCCUPANCY FEES	-	40,632
DEFERRED REVENUE FROM MEMORIAL GARDEN FEES	125,000	128,500
	<hr/>	<hr/>
TOTAL LIABILITIES	72,784,266	72,422,666
NET ASSETS	<u>45,033,384</u>	<u>42,794,525</u>
TOTAL LIABILITIES AND NET ASSETS	<u>117,817,650</u>	<u>115,217,191</u>

NOTE: DOES NOT INCLUDE ASSETS OF ENDOWMENT FUND

Lutheran Retirement Ministries of Alamance County, NC
Statement of Cash Flows
For the Three Months Ended December 31, 2018 and December 31, 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Cash received from residents and third party payors	6,591,338	6,439,492
Investment income received	(264,247)	336,436
Donations received	102,619	122,988
Cash paid to suppliers and employees	(5,357,321)	(5,417,878)
Interest paid and related fees	<u>(229,581)</u>	<u>(194,902)</u>
Net cash provided by operating activities	<u>842,808</u>	<u>1,286,136</u>
Cash Flows From Investing Activities:		
Net Purchase of Marketable Securities	331,939	(312,512)
Acquisition of property and equipment	<u>(917,616)</u>	<u>(680,559)</u>
Net cash used in investing activities	<u>(585,677)</u>	<u>(993,071)</u>
Cash Flows From Financing Activities:		
Admission fees received	1,604,543	969,006
Admission fees refunded	<u>(33,300)</u>	<u>(17,800)</u>
Net cash provided by financing activities	<u>1,571,243</u>	<u>951,206</u>
Net Increase in Cash and Cash Equivalents	1,828,374	1,244,271
Cash and Cash Equivalents - October 1	<u>18,926,276</u>	<u>19,623,418</u>
Cash and Cash Equivalents - December 31	<u><u>20,754,650</u></u>	<u><u>20,867,689</u></u>

Note: Cash and Cash Equivalents do not include
Marketable Securities of \$12,809,131 at
December 31, 2018 and \$13,141,070 at
September 30, 2018.