

DISCLOSURE STATEMENT

February 28, 2020

FRIENDS HOMES, Inc.

**925 New Garden Road
Greensboro, North Carolina 27410-3299
(336) 369-2559**

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 27, 2021;**
- **Delivery of the Disclosure Statement to a contracting party before the 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 ensure accuracy or completeness of the information set out.**

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I. ORGANIZATION INTRODUCTION AND INFORMATION

Friends Homes, Inc. is a nonstock, nonprofit corporation chartered in 1958. It currently owns and operates a continuing care retirement center (CCRC) in Greensboro, North Carolina with two campuses that serve a total of 630 residents. Friends Homes at Guilford is located at 925 New Garden Road and Friends Homes West is about one-half mile to the west at 6100 W. Friendly Avenue.

Board of Trustees - The by-laws of Friends Homes, Inc. calls for the Board of Trustees to have no less than twelve or more than twenty-four members, with up to 4 seats allocated to residents of our campuses; to serve as the governing body for the organization. The Board of Trustees meets at least three times per year and is made up of five committees that meet and bring recommendations to the full Board. The members of the 2020 Board of Trustees are as follows:

<u>Board Members</u>	<u>Term Expires</u>	<u>Principal Business Affiliation</u>
Dan Allen* 925 New Garden Road Greensboro, NC 27410	2020	Retired, Law Firm Manager
Jay Bumm 925 New Garden Road Greensboro, NC 27410	2022	Retired Executive Director Friends Homes West
Kathy Coe 925 New Garden Road Greensboro, NC 27410	2021	Retired Clergy; former journalist; former music teacher and church musician
Pete Cross 925 New Garden Road Greensboro, NC 27410	2021	Board Chair of Cross Technologies, Inc. and retired CEO of Cross Technologies, Inc.
Annemarie Dloniak* 925 New Garden Road Greensboro, NC 27410	2020	BB&T Commercial Portfolio Manager
Don Farlow* 925 New Garden Road Greensboro, NC 27410	2022	Retired Business Executive and Clerk of the board of North Carolina's Yearly Meeting, Inc.

Charlotte Hamlin 925 New Garden Rd. Greensboro, NC 27410	2021	Resident Representative FHG Active Storyteller and Coach
George Harris 925 New Garden Road Greensboro, NC 27410	2022	Wealth Advisor, GCG Wealth Management
Yvonne Johnson 925 New Garden Road Greensboro, NC 27410	2022	Executive Director, One Step Further
Barbara Jones 925 New Garden Road Greensboro, NC 27410	2021	Resident Representative FHW
Hector McEachern 925 New Garden Road Greensboro, NC 27410	2021	President, The McEachern Group, Human Capital Advisors
Brent McKinney 925 New Garden Road Greensboro, NC 27410	2020	NC A&T – Transportation Engineer/Professor
Bill McNeil* 925 New Garden Road Greensboro, NC 27410	2020	Urban and Regional Planning
Elwood Parker* 925 New Garden Road Greensboro, NC 27410	2022	Retired, Guilford College Math Professor
Ed Phillips 925 New Garden Road Greensboro, NC 27410	2020	Resident of Friends Home West
Joy Reavis* 925 New Garden Road Greensboro, NC 27410	2020	Pfizer Pharmaceutical Sales

Judy Ritter 925 New Garden Road Greensboro, NC 27410	2021	Retired Social Worker in state and federal program management
Carl Semmler 925 New Garden Road Greensboro, NC 27410	2021	Counsel for Lincoln Financial Group
Ray Treadway 925 New Garden Road Greensboro, NC 27410	2022	Resident of Friends Home Guilford
Tom Wright* 925 New Garden Road Greensboro, NC 27410	2020	Attorney, Hill Evans Jordan & Beatty

* Denotes a member of the Executive Committee

Management - Presbyterian Management Services, LLC. is contracted by the Board of Trustees of Friends Homes, Inc. to manage Friends Homes, Inc. The original contract ran from May 1, 2016 and through December 31, 2018 and was renewed in December 28, 2018 for five years ending December 31, 2023. PHI Management Services, LLC is wholly owned by Presbyterian Homes, Inc. (PHI). PHI began managing The Presbyterian Home of High Point in 1985 (through its sale in June 2011). It opened its Scotia Village community in Laurinburg in 1988, its Glenaire community in Cary in 1993 and its River Landing at Sandy Ridge community in High Point in 2003.

The Presbyterian Management Services principal management staff is as follows:

Mr. Timothy J. Webster is President and Chief Executive Officer, and Assistant Secretary with The Presbyterian Homes, Inc. He has been with the company since April of 1994. During his tenure he has held the positions of Assistant Controller, Controller, Director of Finance, Director of Operations, and Vice President and Chief Operating Officer. Mr. Webster is a Certified Public Accountant. Mr. Webster is active in LeadingAge North Carolina and currently serves on its Foundation Board. Additionally, he is a member of the Healthcare Advisory Board at Appalachian State University.

Mr. Hank Lovvorn is Vice President and Director of Operations with The Presbyterian Homes, Inc. He has been with the company since June 2008. Prior to joining The Presbyterian Homes, Inc. he served as Regional Vice President of operations for a multi-community retirement organization in Florida.

Mrs. Julia F. Hanover is Vice President and Chief Financial Officer and Assistant Treasurer with The Presbyterian Homes, Inc. She has been with the company since March of 1998. She has served as Controller and Director of Finance. Mrs. Hanover is a Certified Public Accountant.

Mr. Mark Collins is Vice President and Director of Human Resources. He has been with the company since September 2012. Prior to joining the Presbyterian Homes, he was employed by Burlington Industries for 32 years in various human resources management positions.

Administrative Staff - The day-to-day operations of the Community are the responsibility of the Administrative Staff, whose principal members are listed below:

Arnie Thompson is the Executive Director of Friends Homes, Inc. since August 1, 2016. He is a licensed Nursing Home Administrator in North Carolina as well as a Certified Public Accountant. He has 18 years of long-term care experience, which included roles as Controller for the Presbyterian Homes, Inc. and Associate Director for River Landing at Sandy Ridge. He received a Bachelor of Science in Business Administration from Appalachian State University. (Employed by Presbyterian Management Services, LLC)

Donna B. Sprinkle, Associate Executive Director, West Campus, joined the Community February 18, 2013. She is licensed as a Nursing Home Administrator in North Carolina. Before coming to Friends Homes West, she had been the Executive Director of Piedmont Crossing for over six years. She received a BA degree from Guilford College and a Master of Science in Public Policy and Public Administration from Purdue University. Her career has included 36 years' experience in various aspects of healthcare management and senior housing. Her family has been and continues to be in leadership roles in the Religious Society of Friends (Quakers) throughout Friends United Meeting. She has continued her connection with the Society of Friends and attends Archdale Friends Meeting. (Employed by Presbyterian Management Services, LLC)

Missy McGinnis, Associate Executive Director, Guilford Campus, joined the Community April 17, 2017. She is licensed as a Nursing Home Administrator in North Carolina. Missy came to Friends Homes with 24 years of experience in long term care management. She received a Bachelor's Degree in Public Administration from Drake University and a Master's Degree in Health Care Administration from Des Moines University of Osteopathic Medicine. (Employed by Presbyterian Management Services, LLC)

Friends Homes utilizes the law firm of Hill Evans Jordan & Beatty, PLLC for legal services. Tom Wright serves as a Trustee for Friends Homes and is also a partner with Hill Evans Jordan & Beatty, PLLC with an ownership greater than 10%. Friends Homes anticipates that legal services will exceed \$500 in a year, but total fees cannot be estimated at this time, since the amount will depend upon matters for which the firm is consulted.

Other than the aforementioned, there are no other professional service firms, associations, trusts, partnerships, or corporations in which the Officers, Trustees or Administrative Staff has, or which has in these persons, a ten percent (10%) or greater interest and which it is presently intended shall currently or in the future provide goods, leases, or services to the community, or to residents of the community, of an aggregate value of five hundred dollars (\$500.00) or more within any year. No Trustee or Administrative Staff person 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 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 action brought by a governmental agency or department.

Affiliations - Friends Homes, Inc. was formed by the North Carolina Yearly Meeting of the

Religious Society of Friends and is affiliated with North Carolina Yearly Meeting of the Religious Society of Friends, Inc. The North Carolina Yearly Meeting of the Religious Society of Friends, Inc. has no responsibility for the financial and contractual obligations of the corporation and provides no substantive support for the corporation. Although not required, the Board of Trustees of Friends Homes, Inc. is comprised mainly of members from the Quaker community. Friends Homes, Inc. is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and is also classified as a non-private foundation under Code Section 509(a)(2). Friends Homes, Inc. is certified by the North Carolina Department of Health and Human Resources as an SNF/ICF/HA community. Friends Homes, Inc. is a member of LeadingAge North Carolina and LeadingAge.

II. COMMUNITY INTRODUCTION AND INFORMATION

Friends Homes owns and operates two continuing care retirement communities (CCRC) in Greensboro, North Carolina. Both the Guilford and West campus offer a continuum of care. This means that residents are able to have access to three different levels of care within the community, but the monthly rate changes with a change in level of care. Entering at the independent living level, a resident pays an entry fee, the size of which is determined by the size of the apartment or cottage. Each resident will pay monthly fees for basic services and may purchase additional services as desired. Services included and available are listed in the services section on page 10.

The Guilford campus is located at 925 New Garden Road. This campus has a total of 189 independent living units, 52 private and semi-private rooms for assisted living and 69 private and semi-private rooms for nursing care.

The West campus is about one-half mile to the west of the Guilford campus and is located at 6100 W. Friendly Avenue. This campus has a total of 171 independent living units, 40 private assisted living rooms and 40 private rooms for nursing care.

The nursing centers at both campuses accept Medicare and Medicaid as a payer source.

III. POLICIES

Admissions - The admission requirements for residence at Friends Homes are nondiscriminatory except as to age, and Friends Homes is open to both married and single men and women of all races and religions and without regard to place of former residence. Admission is restricted to persons sixty-two (62) years of age or older, except that in the case of a married couple or roommates, one spouse/roommate must have attained the age of at least sixty-two (62) years old and the other spouse/roommate must have attained the age of at least fifty-five (55) years old.

Health Criteria - In order to be admitted to independent living, an individual must demonstrate the ability to perform all the routine tasks of daily living without assistance. This is determined through personal interviews and from a Health History form completed by the individual's personal physician.

Financial and Insurance Criteria - An individual wishing to reserve an independent living unit must, through a disclosure of income and assets, prove adequate monthly income to cover the cost of independent living and sufficient assets and/or Long Term Care Insurance to fund future health care expenses. Friends Homes requires that residents maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage.

Moves - If a resident is no longer able to live safely in independent living he/she agrees that Friends

Homes shall have the authority to determine whether the Resident should be transferred from the Resident's living accommodation to the Health Center or from one level of care to another level of care within the Health Center. Such determination shall be based on the professional opinion of Friends Homes' Medical Director and the Executive Director of Friends Homes and shall be made only after consultation to the extent practical with the Resident, a representative of the Resident's family or the sponsor of the Resident, and Resident's attending physician. After a resident has completed the move, vacated the independent living unit and turned in the keys, the rent for the independent living unit ceases and credit is given for any unused monthly fees.

If it is determined by the attending physician that the Resident needs care beyond that which can be provided by the community and personnel of Friends Homes, the Resident may be transferred to a hospital, center or institution equipped to give such care, which care will be at the expense of the Resident. Such transfer of the Resident will be made upon orders from Friends Homes' Medical Director after consultation to the extent possible with the Resident, a representative of the Resident's family or the sponsor of the Resident and the Resident's attending physician.

If a determination is made by Friends Homes that any transfer described above is permanent, the Resident agrees to surrender the living accommodation or the accommodation in the Health Center occupied by the Resident upon thirty (30) days prior written notice from Friends Homes to Resident. If Friends Homes subsequently determines upon the opinion of the Medical Director and the Executive Director that the Resident can resume occupancy in accommodations comparable to those occupied by the Resident prior to such transfer, the Resident shall have priority to such accommodations as soon as they become available.

Transfers within Independent Living - Moves from one independent living unit to another are not frequent but are sometimes requested. Friends Homes will evaluate and consider a Resident's request to move within independent living. If approved by Friends Homes, Resident will be responsible for all moving costs. In addition, for a move to a smaller independent living unit the resident will pay a refurbishment fee of \$2,500. A move to a similar living accommodation of similar pricing ("Lateral Move") will require the resident to pay the actual cost of refurbishing of the vacated living accommodation. A move to a larger living accommodation or a lateral move to a newly constructed accommodation will require the resident to pay the actual cost of refurbishing of the vacated living accommodation. In addition, the resident will be responsible for paying an additional entrance fee, which is calculated by taking the difference between the current published entrance fee of the new living accommodation less the entrance fee actually paid by the resident for the living accommodation being vacated.

Resident acknowledges and agrees that any transfer between one independent living unit and another or from one level of care to another within Friends Homes (including without limitation a transfer from Resident's current Living Unit to assisted or skilled nursing) shall not be deemed a termination of this Agreement nor entitle Resident to a refund or partial refund of their Entrance Fee.

Rescission of Residence and Care Agreement - Resident may rescind the Residence and Care Agreement within thirty (30) days after the later of the execution of the contract or receipt of a disclosure statement, in which event any money or property transferred to the community will be returned in full, less any standard customary charges made by the community to the Resident prior to rescission, which charges shall be applicable only for the period a living accommodation was actually occupied by the Resident. A Resident is not required to move into an accommodation before the expiration of the aforesaid thirty-day period. If the Resident moves into an accommodation during the thirty (30) day period and rescinds the contract during the thirty (30) day period the

Resident will receive a refund of any money paid to the Corporation less a service charge not to exceed the greater of one thousand dollars (\$1,000) or two percent (2%) of the entrance fee. Any refund due shall be paid within sixty (60) days.

Termination of Residence and Care Agreement - The Residence and Care Agreement may be terminated by Resident at any time for any reason after the rescission period and prior to the sixty-first (61) day of occupancy by giving written notice to Friends Homes. In the event of such termination, Resident shall receive a refund of the Entrance Fee paid less an administrative fee of 4% of the total Entrance Fee. However, if the Resident or the Resident's spouse or roommate dies prior to occupancy, or if on account of illness, injury, incapacity, or financial reversal is precluded from occupying the living accommodation, the contract is automatically terminated. Additionally, Friends Homes shall have the right to terminate the Residence and Care Agreement during the first sixty (60) days of occupancy based on Friends Homes determination that Resident's physical or mental condition or emotional adjustment will not permit adaptation to the living environment at Friends Homes. In the event of such terminations the full amount of the Entrance Fee paid will be refunded. Any refund due shall be paid within sixty (60) days of termination of this agreement.

At any time after the expiration of the first sixty (60) days of residence at Friends Homes, the Resident may terminate the Agreement by giving Friends Homes thirty (30) days prior written notice of such termination. Residents electing Woolman/Fox Entrance Fee Option are not entitled to an Entrance Fee refund under this section.

Residents electing the Standard Entrance Fee Option may be entitled to receive a partial refund of their entrance fee. Any partial refund shall be determined and paid as follows: Resident shall receive a refund in an amount equal to the Entrance Fee paid to Friends Homes less an amortization percentage of 1.6% per month for each full calendar month or portion thereof which has elapsed from Resident's Admission Date to the effective date of termination and less four percent (4%) of the total Entrance Fee, which is the nonrefundable portion of the Entrance Fee. For avoidance of doubt, all Entrance Fee refunds are calculated assuming and based upon full calendar months. Any portion of a calendar month (whether relating to the month of Resident's Admission Date or the month of Resident's termination date of this Agreement) shall be deemed to be full and separate calendar months for purposes of calculating any Entrance Fee refund. Any refund due the Resident will be made at such time as such Resident's living accommodation shall have been reserved by a prospective Resident and such prospective Resident shall have paid to Friends Homes such prospective Resident's Entrance Fee. No interest shall be due or payable on any amount refunded.

Friends Homes may terminate the Residence and Care Agreement at any time if there has been a material misrepresentation or omission made by the Resident in the Resident's Application for Admission, Personal Health History or Confidential Financial Statement; if a material change in the Resident's health takes place before occupancy (Admission Date); if the Resident fails to make payment to Friends Homes of any fees or charges due Friends Homes within sixty (60) days of the date when due; if the Resident does not abide by the rules and regulations adopted by Friends Homes as determined by Friends Homes; or Resident breaches any of the terms and conditions of this Agreement. In the event of termination for any of such causes the Resident may be entitled to a partial refund of the Entrance Fee paid by the Resident determined in accordance and paid in the same manner as provided in the preceding paragraph.

Marriages/New Second Occupant - If a Resident, while occupying a living accommodation, marries another Resident or elects to share a living accommodation with a person who is also a Resident, the two Residents may occupy the living accommodation of either Resident and shall

surrender the living accommodation not to be occupied by them. No refund will be payable with respect to the living accommodation surrendered. Such Residents will pay the Monthly Charge for double occupancy associated with the living accommodation occupied by them.

In the event that a Resident shall marry or elect to share a living accommodation with a person who is not a Resident of Friends Homes, the non-resident spouse/cohabitant may become a Resident if such spouse/cohabitant meets all of the then current requirements for admission to Friends Homes, enters into a then current version of the Residence and Care Agreement with Friends Homes and pays an Entrance Fee in an amount determined by Friends Homes in its discretion but in any event no more than two-thirds (2/3) of the then current Entrance Fee associated with the type of living accommodation to be occupied by the Resident and non-resident spouse/cohabitant.

Inability to Pay - Each prospective resident is screened to determine ability to pay at the time of admission. The resident contract will not be terminated solely because of the Resident's financial inability to continue to pay the financial obligations to Friends Homes by reasons of circumstances beyond the Resident's control. In the event that a Resident presents facts which in the sole opinion of Friends Homes justify special financial consideration, Friends Homes will give careful consideration to subsidizing in whole or in part the Monthly Charge and other charges payable by the Resident hereunder so long as such subsidy can be made without impairing the ability of Friends Homes to attain its objectives while operating on a sound financial basis. Any grant of financial assistance shall be within the sole discretion of Friends Homes as set forth under a separate written agreement between Friends Homes and the Resident regarding such financial assistance. Friends Homes may request Resident to apply for Medicaid, public assistance, or any other reasonably available public benefit program to offset Resident's Monthly Charge or other charges payable hereunder.

IV. SERVICES

Standard Services Included in Monthly Fee

- use of apartments and grounds
- water, electricity, heat and air conditioning
- meal allowance equivalent to one meal daily
- maintenance of apartment and all fixtures and appliances provided
- security
- parking
- emergency call system in living accommodation
- emergency medical care/routine blood pressure checks

Standard Services Included in a separate Monthly Fee

- communication package (cable television, telephone service and wireless internet access)

Services Available at Extra Charge

- transportation for medical appointments
- beauty/barber shop
- extra meals in dining room
- nursing services such as lab work
- dental services

- physical therapy
- pharmacy
- personal housekeeping/laundry services
- guest rooms

V. FEES

Application Fee - An application fee of \$1,200 is required for an applicant to be placed on the waiting list for future admission. The fee is comprised of a \$200 nonrefundable administrative charge and the remaining \$1,000 is deductible from the entry fee or refunded on withdrawal from the waiting list. The fee is the same for a single person or a couple. The application fee is waived for all active members of the Society of Friends.

Entrance Fee - An entrance fee is a payment that assures a Resident a place in a community for a term of years or for life. To reserve a living accommodation a qualified applicant executes a Residence and Care Agreement (“Agreement”) with Friends Homes and places a deposit of 10% of the entrance fee for that living accommodation. The balance of the entrance fee is due and payable on the date of occupancy, but in no event later than ninety (90) days after the execution of the Agreement.

If Resident is prevented from occupying the living accommodation within ninety (90) days after execution of the Agreement, due to reasons beyond his/her control, an additional deposit representing 15% of the required entrance fee shall be paid. Resident further understands that Friends Homes reserves exclusive rights in determining the legitimacy of Resident request for an extension and that, in any event, the living accommodation must be occupied within one hundred eighty (180) days of the date of this Agreement. Furthermore, Resident understands that after the first 90-day period and prior to occupancy during the second 90-day period, Friends Homes will charge and Resident will pay the Monthly Charge for the living accommodation, less a monthly meal credit determined by Friends Homes.

If Resident elects not to occupy the apartment within ninety (90) days, or one hundred eighty (180) days in the event an additional deposit is made, Resident shall be relieved of the obligation to pay the balance of the entrance fee. Friends Homes shall receive 50% of the deposited funds, and the remainder shall be refunded to Resident. If each Resident is prevented from occupying the apartment by reason of death or disability, Resident shall be relieved of the obligation to pay the balance of the entrance fee, and the deposited funds shall be refunded in full.

A summary of the Entrance Fees in effect as of January 1, 2020 follows:

Unit	Type		Entrance Fee
Independent Living			
Woolman and Fox (non-refundable)			
Studio	Standard	Partial Kitchen	\$ 26,000
1 bedroom	Standard	Partial Kitchen	\$ 42,000
1 bedroom	Standard	Full Kitchen	\$ 65,000
1 bedroom	Deluxe	Full Kitchen	\$ 70,000

2 bedroom	Standard	Partial Kitchen	\$ 58,000
2 bedroom	Deluxe	Full Kitchen	\$ 80,000
Hobbs Hall (refundable)			
1 bedroom	Standard	Full Kitchen	\$ 105,000
2 bedroom	Standard	Full Kitchen	\$ 151,000
2 bedroom	Deluxe	Full Kitchen	\$ 162,000
West Campus (refundable)			
1 bedroom	Standard	Full Kitchen	\$ 105,000
2 bedroom	Standard	Full Kitchen	\$ 145,000
2 bedroom	Balcony	Full Kitchen	\$ 150,000
2 bedroom	Deluxe	Full Kitchen	\$ 156,000
Assisted living			\$ 3,000
Nursing Center			\$ 3,000

* **New Independent Living Units** – Expected to be completed and ready for occupancy by April 2022:

Campus	Unit	Type	Entrance Fee
Guilford:			
	2 bedroom	Townhome	\$259,000
	2 bedroom	Townhome w/ Den	\$289,000
West:			
	2 bedroom	Villa	\$278,000
	2 bedroom	Villa w/ Den	\$316,000
	2 bedroom	Villa Deluxe w/ Den	\$365,000
	2 bedroom	Townhome	\$259,000
	2 bedroom	Townhome w/ Den	\$289,000
	3 bedroom	Cottage	\$345,000

Monthly Fee - Monthly fees cover the cost of services provided as well as one meal per day for independent living. Optional two meal or three meal plans are available. Assisted Living and Nursing Center rate includes 3 meals per day. Current monthly fee rates as of January 1, 2020 follow:

<u>Unit</u>	<u>Type</u>	<u>One Person</u>
Independent Living		
Woolman and Fox		
Studio	Standard	\$ 1,605
1 Bedroom	Standard	\$ 2,448
1 Bedroom	Deluxe	\$ 2,909
2 Bedroom	Standard	\$ 3,235
Hobbs		
1 Bedroom	Standard	\$ 2,579

2 Bedroom	Standard	\$ 3,430
2 Bedroom	Deluxe	\$ 3,666
West Campus		
1 Bedroom	Standard	\$ 2,532
2 Bedroom	Standard	\$ 3,367
2 Bedroom	Balcony	\$ 3,478
2 Bedroom	Deluxe	\$ 3,581
Second person fee		\$ 595
Assisted Living		
Private	Standard	\$ 4,047
Private	Deluxe	\$ 4,946
Nursing Center		
Private		\$ 296
Semi-Private		\$ 283

* **New Independent Living Units** – Expected to be completed and ready for occupancy by April 2022:

Campus	Unit	Type	Monthly Fee
Guilford:			
	2 bedroom	Townhome	\$3,551
	2 bedroom	Townhome w/ Den	\$3,715
West:			
	2 bedroom	Villa	\$3,825
	2 bedroom	Villa w/ Den	\$4,043
	2 bedroom	Villa Deluxe w/ Den	\$4,262
	2 bedroom	Townhome	\$3,551
	2 bedroom	Townhome w/ Den	\$3,715
	3 bedroom	Cottage	\$3,934
	Second person fee		\$ 874

The Resident is responsible for all television, telephone, and internet installation charges and all related monthly service charges (collectively “Communication Services”). Friends Homes has negotiated on behalf of its residents a bulk price for these bundled Communication Services. These services are provided as a part of the base fees for which Friends Homes current rate is \$50.00 per month. If any Communication Services are provided by Friends Homes on behalf of Resident, Resident agrees to pay Friends Homes’ standard monthly service charges applicable for such services which are subject to adjustment from time to time. Any Communication Services not included within Friends Homes standard package shall be the sole responsibility of Resident and billed by the Provider.

Fee Change Policies - Once each year the monthly fees are reviewed by the administration and recommendations for adjustments are brought to the Board of Trustees, which gives final approval. Rate increases are announced to residents at least one month prior to implementation for independent living and 60 days for assisted living and nursing residents. In accordance with the non-profit status and philosophy of Friends Homes, Inc., continual efforts are made to contain rate increases.

The chart below shows the average monthly dollar increase for one occupant per unit with one meal per day in independent living and 3 meals per day for Assisted Living and Nursing. Rate changes are effective on the dates noted.

	<u>10/1/2015</u>	<u>10/1/2016</u>	<u>1/1/2018</u>	<u>1/1/2019</u>	<u>1/1/2020</u>
<u>Living Accommodation</u>					
Independent	\$63	\$82	\$84	\$87	\$90
Assisted Living	\$126	\$138	\$147	\$152	\$157
Skilled Nursing	\$7 / day	\$9 / day	\$9 / day	\$10 / day	\$10 / day

VI. FINANCIAL INFORMATION

A. Financial Overview Statement

Friends Homes, Inc. operates on a sound financial basis as will be evident from the financial information herein. The North Carolina Yearly Meeting of the Religious Society of Friends, Inc. bears no financial responsibility for Friends Homes, Inc. Friends Homes, Inc. is supported entirely from the fees, investment income and donations from residents and friends.

B. Reserves, Escrow and Trusts

Operating Reserve - Under N.C.G.S. 58-64-33, Friends Homes was required to establish by Mar. 1, 1997 an operating reserve equal to 50% of the total operating costs projected for the twelve-month operating period of the first year of the financial forecast. The operating reserve of 25% assumes an occupancy level of 90%. Friends Homes maintained an occupancy rate above 90% throughout 2019 and expects its occupancy to continue at a level above 90% for the remainder of the forecast period. The chart below reflects the projected operating reserve requirement for the next 5 years.

	2020	2021	2022	2023	2024
	Budget	Forecast	Forecast	Forecast	Forecast
Projected Expenses	30,926	31,839	36,148	40,381	40,910
Plus long-term debt payment	27,969	460	645	675	27,400
Debt service portion, if provided by way of a separate reserve account	(27,409)				(22,526)
Less depreciation / amortization	(2,701)	(2,753)	(3,631)	(4,483)	(4,554)
Projected operating costs	28,785	29,546	33,162	36,573	41,230

Percentage requirement	25%	25%	25%	25%	25%
Projected operating reserve	7,196	7,386	8,292	9,144	10,309

The aforementioned operating reserves are held, along with other investments, by UBS, Vanguard, Friends Fiduciary and Ameritrade. The balance of these holdings will not drop below the 25% requirement and will not be released without approval of the North Carolina Commissioner of Insurance. Policies and investment decisions are managed by the Investment Committee of the Board of Trustees and day to day decisions are made by contracted fund managers. Funds are invested in government securities and investment grade or higher corporate bonds, a Money Market Fund and securities.

C. Debt Service Reserve Fund – In connection with the issuance of the Series 2019 bonds a debt service reserve fund of \$ 3,008,000 is maintained.

D. Trust Funds - Trust Funds can only be spent with approval of the Board of Trustees. Trust funds are not used for operating expenses but may be used for capital expenditures if necessary. Management of the Operating and Trust Funds for Friends Homes, Inc. is the responsibility of the Investment Committee of the Board of Trustees. Investment decisions are made by the contracted fund managers under the guidance of the committee.

E. Resident Assistance Funds - Resident Assistance Funds have been established by Friends Homes to supplement residents who have depleted their financial resources. To qualify for assistance through the Resident Assistance Funds, a resident must furnish a current financial disclosure, may not have given away substantial assets while a resident of Friends Homes and must have been a resident for a period of at least three years. A request for assistance must be approved by the Executive Director. In support of this effort, the Board of Trustees has set aside investments over the years which on November 30, 2019, had a fair market value of \$11,948,657.

VII. OTHER MATERIAL INFORMATION

A. Planned Expansion and Renovation

Management is currently planning for a renovation and expansion to its Guilford and West campuses. Presales have begun at Guilford for their planned 20 independent living expansion. The West campus expansion and renovation consists of the construction of 73 independent living units, a renovation to the main dining room and current wellness center as well as the addition of a bistro dining area. Presales for the West campus are projected for February 2020. Financing for the Guilford expansion was completed in October 2019 and the financing for the West renovation and expansion is planned for Summer 2020. The funds borrowed in October included \$ 12,000,000 for the Guilford expansion and it is projected that the West expansion and renovation will require financing of \$ 55,000,000. It is anticipated that construction on the Guilford campus will begin in the spring of 2020 and the West campus in the summer of 2020. It is anticipated that residents will begin to move-in during April 2022.

Project Costs:

Construction and Site Work cost related to the project	\$58,837,000
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Contingency	\$3,329,000
Architectural & Engineering Expenses	\$3,113,000
Furniture, Fixtures & Equipment	\$1,398,000
Permits, Surveys and Other Expenses	\$274,000
Miscellaneous	\$49,000
Total:	\$67,000,000

It is anticipated that a portion of the new units will be occupied by residents currently on our waitlist. It is anticipated that 47 of the 93 units will be occupied by couples. Management assumes that the existing residences (IL, AL, and SN) would maintain 95% occupancy level and the expansion independent living units would begin fill-up in April 2022 and achieve 95% occupancy in August 2022 and remain at 95% occupancy through the forecast period. The following table summarizes the existing and forecasted residences in independent living (IL).

Years ended September 30	Existing Residences			Expansion Residences			Total IL Occupancy
	Occupied	Available	% Occupied	Occupied	Available	% Occupied	
2020	342	360	95%	-	-	-	95%
2021	342	360	95%	-	-	-	95%
2022	342	360	95%	88	93	95%	95%
2023	342	360	95%	88	93	95%	95%
2024	342	360	95%	88	93	95%	95%

The assumed turnover of independent living units for Friends Homes due to death, withdrawal, or transfer to Assisted Living, or Skilled Nursing is projected in the table below. It is expected that the existing unit turnover will average 12% based on history of the community. For the new units it is expected that no units will turnover during the forecast period.

Forecasted Turnover Schedule – Independent Living Units

Years ended September 30	Existing ILU's	Project ILU's	Total
2020	44	-	44
2021	44	-	44
2022	44	-	44
2023	44	-	44
2024	44	-	44

Assumed Monthly Move-in Pattern for Projected Expansion ILU's (Net of Move-outs)

Fiscal Year/Month	Monthly Total	Cumulative Total	Occupancy Percentage
2020	-	-	0%
2021	-	-	0%

2022			
April	24	24	26%
May	24	48	52%
June	24	72	77%
July	11	83	89%
August	5	88	95%
September	-	88	95%
2023		88	95%
2024		88	95%

All assumptions are incorporated into the Five-Year Projection Statements in Exhibit B.

B. Explanation of Material Differences

The threshold for materiality is \$1,000,000. (Continued on Page 18)

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(in thousands of dollars)	2019 Forecast	2019 Audit	Difference	Explanation (\$1,000)
Statement of Balance Sheets				
Current Assets:				
Cash and cash equivalents	959	1,144	(185)	
Accounts receivable, net	987	1,140	(153)	
Other receivables	140	174	(34)	
Interest receivable	27	34	(7)	
Inventories and prepaid expenses	316	210	106	
Investments limited as to use:				
Reserves required by state statute	7,418	7,209	209	
Investments	30,222	33,406	(3,184)	Result of strong investment market
Property and equipment, net	48,198	48,205	(7)	
Construction in progress	1,952	1,829	123	
Interest rate swap	181	-	181	
Total assets	90,400	93,351	(2,951)	
Liabilities and net assets:				
Current maturities of long-term debt	1,565	1,565	-	
Notes payable	673	728	(55)	
Accounts payable	622	1,574	(952)	
Accrued expenses	1,710	1,863	(153)	
Occupancy deposits	-	238	(238)	
Noncurrent liabilities and deferred credits:				
Long-Term Debt, Less current maturities	25,848	25,843	5	
Refundable fees	8,866	8,424	442	
Deferred revenue from advance fees	7,216	7,586	(370)	
Deferred revenue rent reduction	146	150	(4)	
Interest rate swap liability	-	144	(144)	
Net Assets:				
Undesignated	39,968	41,268	(1,300)	Due to excess revenue, expense savings, and changes in the investment market
Board restricted	3,314	3,438	(124)	
With donor restrictions	472	530	(58)	
Total liabilities and net assets	90,400	93,351	(2,951)	
Statements of Operations				
Operating Revenue				
Amortization of entrance fees	2,383	2,309	(74)	
Service fees, residential	11,609	11,862	253	
Service fees, assisted living	4,120	4,022	(98)	
Service fees, nursing	10,445	11,297	852	
Contributions	65	49	(16)	
Investment Income	1,200	1,528	328	
Realized gain on sales of investments	-	699	699	
Net unrealized loss on investments	-	(1,446)	(1,446)	We do not forecast for changes in the investment market
Other	111	258	147	
Operating Expenses				
Resident Care	7,504	7,380	124	
Dining services	4,990	5,005	(15)	
Environmental services	1,977	1,913	64	
Resident Services	1,029	979	50	
Maintenance and Grounds	3,805	3,534	271	
Marketing	652	621	31	
Administration	4,973	4,321	652	
Bond and note interest	1,191	1,111	80	
Depreciation, amortization and other charges	2,571	2,730	(159)	
Management fees	1,222	1,243	(21)	
Miscellaneous, net	-	669	(669)	
Loss on interest rate swap	-	417	(417)	
Excess of revenues and gains over expenses and losses	19	655	(636)	
Statement of Cash Flows				
Change in net assets	19	655	(636)	
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:				
Entrances fees received	3,843	3,513	330	
Amortization of entrance fees	(2,383)	(2,309)	(74)	
Realized gain on sales of investments (net)	-	(699)	699	
Depreciation	2,555	2,709	(154)	
Amortization of deferred revenue - rent reduction	16	(86)	102	
Amortization of bond issuance cost	-	20	(20)	
Change in value of interest rate swap agreement	-	417	(417)	
(Gain) loss on disposal of equipment	-	7	(7)	
Net unrealized (gain) loss on investments	-	1,446	(1,446)	We do not forecast for changes in the investment market
Changes in working capital components:				
(Increase) decrease in:				
Trade and other receivables	368	26	342	
Other assets	-	104	(104)	
Increase (decrease) in accounts payable and accrued expenses	69	501	(432)	
Net cash provided (used) by operating activities	4,487	6,304	(1,817)	
Cash Flows From Investing Activities				
Purchase of property and equipment	(4,369)	(4,939)	570	
Proceeds from sales and maturities of investments	3,088	10,754	(7,666)	Realized gains are reinvested in the market.
Purchase of investments	(1,200)	(10,243)	9,043	
Net cash provided (used) by investing activities	(2,481)	(4,428)	1,947	
Cash Flows From Financing Activities				
Principal payments on long-term borrowings	(1,495)	(1,495)	-	
Reduction in short-term debt	(200)	(145)	(55)	
Refunds of refundable fees	(300)	(317)	17	
Net cash provided (used) by financing activities	(1,995)	(1,957)	(38)	
Net increase (decrease) in cash and cash equivalents	11	(81)	92	

C. Current Certified Financial Statements *(See Exhibit A attached)*

Included with this document is the annual audit of Friends Homes prepared by Turlington and Co., C.P.A.'s for Fiscal Years 2019 and 2018. See Exhibit A.

D. Five Year Forecasted Statements *(See Exhibit B attached)*

The Five Year Forecasted Statements, including details of all significant assumptions, for the five years ending September 30, 2024 are contained in Exhibit B.

E. Residence and Care Agreement *(See Exhibit C attached)*

Exhibit C contains copies of the Residence and Care contract for Independent Living and the Health Center.

F. Actuarial Summary Report *(See Exhibit D attached)*

Attached as Exhibit D

G. Unaudited Interim Financial Statements *(See Exhibit E attached)*

Interim Financial Statements for the period ended December 31, 2019 are attached as Exhibit E.

Exhibit A

FRIENDS HOMES, INC.
Greensboro, North Carolina

**INDEPENDENT AUDITORS' REPORTS
COMBINED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

**As of and for the Years Ended
September 30, 2019 and 2018**

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Turlington and Company, L.L.P.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Friends Homes, Inc.
Greensboro, North Carolina

We have audited the accompanying combined financial statements of Friends Homes, Inc. (a nonprofit organization), which comprise the combined balance sheets as of September 30, 2019 and 2018, and the related combined statements of changes in net assets, operations, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Friends Homes, Inc. as of September 30, 2019 and 2018, and the results of their operations, changes in their net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Turlington and Company, L.L.P.

Lexington, North Carolina
November 20, 2019

FRIENDS HOMES, INC.

COMBINED BALANCE SHEETS

	September 30	
ASSETS	2019	2018
Current assets:		
Cash and cash equivalents	\$ 1,143,803	\$ 1,222,725
Accounts receivable:		
Patients and residents - net of allowance for uncollectible accounts of \$175,000 for 2019 and 2018	1,140,053	1,165,669
Interest receivable	33,797	38,743
Other	174,181	197,101
Inventories and prepaid expenses	210,453	314,099
	<u>2,702,287</u>	<u>2,938,337</u>
Investments limited as to use:		
Reserved by State Statute	7,209,412	6,926,781
	<u>33,406,435</u>	<u>34,947,507</u>
Investments		
Property and equipment:		
Cost	88,891,301	84,247,839
Less, accumulated depreciation	40,686,584	38,737,881
	<u>48,204,717</u>	<u>45,509,958</u>
Other assets:		
Construction in process	1,829,321	2,300,740
Interest rate swap	-	273,153
	<u>1,829,321</u>	<u>2,573,893</u>
	<u>\$ 93,352,172</u>	<u>\$ 92,896,476</u>
	LIABILITIES AND NET ASSETS	
Current liabilities:		
Current maturities on long-term debt	\$ 1,565,000	\$ 1,495,000
Notes payable	727,500	872,500
Accounts payable - trade	1,574,336	1,190,360
Accrued expenses	1,863,145	1,745,877
Prepaid entrance fee	-	124,200
Prepaid rent	-	26,896
Occupancy deposits	238,425	262,725
	<u>5,968,406</u>	<u>5,717,558</u>
Long-term debt, less current maturities	25,843,361	27,387,816
Interest rate swap	144,130	-
Refundable fees	8,424,628	7,331,099
Deferred revenue from advance fees	7,586,337	7,644,349
Deferred revenue - rent reduction	149,669	235,541
	<u>48,116,531</u>	<u>48,316,363</u>
Net assets:		
Without donor restrictions:		
Undesignated	41,267,747	40,778,072
Board designated for special projects	3,438,267	3,314,072
With donor restrictions	529,627	487,969
	<u>45,235,641</u>	<u>44,580,113</u>
	<u>\$ 93,352,172</u>	<u>\$ 92,896,476</u>

The accompanying notes are an integral part of the combined financial statements

FRIENDS HOMES, INC.

COMBINED STATEMENTS OF CHANGES IN NET ASSETS

	Years Ended September 30	
	2019	2018
Net assets without donor restrictions:		
Operating income	\$ 2,476,937	\$ 3,389,043
Changes in net unrealized gains and losses on other than trading securities	(1,445,784)	368,498
Unrealized gain (loss) on interest rate swap	(417,283)	361,853
Increase in net assets without donor restrictions	613,870	4,119,394
Net assets with donor restrictions:		
Contributions	207,030	197,520
Net assets released from restrictions used for operations	(165,372)	(142,032)
Increase in net assets with donor restrictions	41,658	55,488
Increase in net assets	655,528	4,174,882
Net assets - beginning of years	44,580,113	40,405,231
Net assets - end of years	\$ 45,235,641	\$ 44,580,113

The accompanying notes are an integral part of the combined financial statements

FRIENDS HOMES, INC.

COMBINED STATEMENTS OF OPERATIONS

	Years Ended September 30	
	2019	2018
Unrestricted revenues, gains, and other support:		
Resident services, including amortization of advance fees of \$2,308,737 in 2019 and \$2,386,635 in 2018	\$ 29,590,499	\$ 27,974,287
Contributions	48,824	22,917
Dividends and interest	1,527,700	1,356,895
Gain (loss) on disposal of equipment	(6,978)	1,936
Realized gain on sales of investments (net)	698,781	1,901,176
Net assets released from restrictions used for operations	<u>165,372</u>	<u>142,032</u>
	<u>32,024,198</u>	<u>31,399,243</u>
Expenses:		
Salaries and benefits	12,742,200	12,369,307
Health insurance	1,353,548	1,525,503
Food costs	1,495,198	1,547,791
Utilities	1,354,092	1,370,299
Repairs and maintenance	1,661,402	1,704,257
Contractual medical	1,273,088	912,849
Other supplies	1,185,376	911,605
Medical supplies and drugs	528,653	437,286
General insurance	391,873	395,376
Contractual dietary	844,369	797,437
Charitable care	487,812	378,762
Professional fees	260,076	181,538
Management fees	1,242,852	1,161,979
Other	886,561	740,104
Interest expense	1,110,524	1,077,542
Depreciation and amortization	2,709,092	2,482,000
Amortization of bond issue costs	<u>20,545</u>	<u>16,565</u>
	<u>29,547,261</u>	<u>28,010,200</u>
Operating income	2,476,937	3,389,043
Changes in net unrealized gains and losses on other than trading securities	(1,445,784)	368,498
Unrealized gain (loss) on interest rate swap	<u>(417,283)</u>	<u>361,853</u>
Increase in net assets without donor restrictions	<u>\$ 613,870</u>	<u>\$ 4,119,394</u>

The accompanying notes are an integral part of the combined financial statements

FRIENDS HOMES, INC.

COMBINED STATEMENTS OF CASH FLOWS

	Years Ended September 30	
	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 655,528	\$ 4,174,882
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Termination income and amortization of advance fees	(2,308,737)	(2,386,635)
Realized gain on sales of investments (net)	(698,781)	(1,901,176)
Amortization of bond issue costs	20,545	16,565
Depreciation and amortization	2,709,092	2,482,000
Amortization of deferred revenue - rent reduction	(85,872)	(161,439)
(Gain) loss on disposal of equipment	6,978	(1,936)
Net unrealized (gain) loss on investments	1,445,784	(368,498)
Unrealized (gain) loss on interest rate swap	417,283	(361,853)
Changes in assets and liabilities:		
Accounts receivable	26,586	(306,519)
Inventories and prepaid expenses	103,646	1,810
Accounts payable and other accrued liabilities	501,244	918,169
	2,793,296	2,105,370
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	10,754,335	12,627,100
Proceeds from sale of property and equipment	-	1,936
Purchase of investments	(10,242,897)	(14,178,228)
Purchase of property and equipment	(4,939,410)	(4,898,190)
	(4,427,972)	(6,447,382)
Net cash used for investing activities		
Cash flows from financing activities:		
Proceeds from advance fees and deposits	3,512,800	4,043,100
Payment of debt issuance costs	-	(10,000)
Reduction in long-term debt	(1,495,000)	(1,425,000)
Reduction in short-term debt	(145,000)	(265,000)
Refunds of advance fees and deposits	(317,046)	(212,000)
	1,555,754	2,131,100
Net cash provided by financing activities		
Net decrease in cash	(78,922)	(2,210,912)
Cash and cash equivalents - beginning of years	1,222,725	3,433,637
Cash and cash equivalents - end of years	\$ 1,143,803	\$ 1,222,725
Cash paid during the years for interest	\$ 1,116,565	\$ 1,064,166

The accompanying notes are an integral part of the combined financial statements

FRIENDS HOMES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2019 and 2018

Note 1 - Description of Organization and Summary of Significant Accounting Policies:

Organization - Friends Homes, Inc. is a nonprofit corporation that provides housing, health care, and other related services to residents through the operation of two healthcare communities containing 5 cottages, 355 apartments, 100 assisted care beds, and 109 nursing beds located in Greensboro, North Carolina.

Significant Accounting Policies - The combined financial statements of Friends Homes, Inc. (the Organization) have been prepared in accordance with accounting principles generally accepted in the United States of America. The more significant of these principles used are described below:

Basis of Accounting - The Organization uses the accrual basis of accounting for financial reporting purposes.

Financial Presentation - The Organization maintains the following two divisions for bookkeeping and managerial purposes:

Guilford Community
West Community

At year-end, these divisions are combined in order for the Organization to present its combined financial statements in accordance with accounting principles generally accepted in the United States of America applicable to continuing care retirement communities. Interdivisional transactions have been eliminated.

The Organization records resources for accounting and reporting purposes into two net asset categories: net assets without donor restrictions and net assets with donor restrictions, based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions - Net assets without donor restrictions are available for any purpose consistent with the Organization's mission. From time-to-time, the Organization's Board of Trustees may designate a portion of these assets for specific purposes which makes them unavailable for use at management's discretion.

Net assets with donor restrictions - Net assets subject to specific, donor-imposed restrictions that must be met by actions of the Organization and/or passage of time. When a restriction expires, the net assets are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to net assets without donor restrictions. Some net assets may include donor-imposed restrictions that the assets be held in perpetuity, while permitting the Organization to expend the income generated by those assets.

Cash and Cash Equivalents - The Organization's cash and cash equivalents, as stated for purposes of the combined statements of cash flows, consists of interest and noninterest-bearing cash accounts, petty cash, and money market mutual funds. The Organization has no other assets that are considered cash equivalents.

Accounts Receivable - The Organization carries its accounts receivable at cost less an allowance for uncollectible accounts. Periodically, the Organization evaluates its accounts receivable and establishes an allowance for uncollectible accounts based on historical experience with bad debts and collections, as well as current credit conditions.

Inventories - Inventories, consisting of medical and dietary supplies, are stated at the lower of cost or net realizable value with cost determined by use of the first-in, first-out method.

FRIENDS HOMES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 - Description of Organization and Summary of Significant Accounting Policies (Continued):

Significant Accounting Policies (Continued)

Investments - Investments, which consist of corporate stocks and bonds, are measured at fair value in the combined balance sheets. Investment income (including realized gains and losses on investments, interest, and dividends) is included in operating income unless the income (loss) is restricted by donor or law. Unrealized gains and losses on investments, if any, are excluded from operating income.

Property, Equipment, and Depreciation - Purchased property and equipment are stated at cost, and contributed property is stated at estimated fair value on the date of receipt. It is the Organization's policy to capitalize expenditures for these items in excess of \$3,000.

Depreciation is computed by use of the straight-line method over the estimated useful lives as follows:

Buildings and residences	40 to 50 Years
Furniture and equipment	5 to 10 Years
Vehicles	3 to 5 Years
Land improvements	10 to 20 Years

Contributions - The Organization accounts for contributions in accordance with *Accounting for Contributions Received and Contributions Made*. Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions received are recorded as an increase in either net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Gifts of property and equipment (or other long-lived assets) are reported as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Donated Assets - Donated marketable securities and equipment are valued at fair market value on the date of the gift.

Deferred Revenue on Entrance Fees - Deferred revenue arises from various financial agreements with residents of which there were four in fiscal year 2019 as follows: rent reduction, entrance fees with an eight-year declining refund tied to the unit contracted, a non-refundable entrance fee, and a sixty-month straight-line declining refund with the contract period extending to their entire stay at Friends Homes, Inc.

Deferred revenue is shown as refundable and non-refundable and is initially recorded as refundable and moved to non-refundable as the refund expires under the particular financial agreement.

Residents who make a non-refundable payment under a rent reduction arrangement are entitled to a monthly reduction rent based on the type of unit occupied. These resources were accounted for as deferred revenue at the present value of the rent reduction over the expected life of the resident. Any unamortized amounts upon relinquishing occupancy of the apartment are transferred to revenue. Contracts are no longer made under this arrangement.

FRIENDS HOMES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 - Description of Organization and Summary of Significant Accounting Policies (Continued):

Significant Accounting Policies (Continued)

Deferred Revenue on Entrance Fees (Continued) - Revenue from entrance fees is recognized on an annual actuarial computation based on a joint and last survivor basis for these residents. Entrance fees are amortized over the projected joint and last survivor life expectancy of the residents under each financial arrangement on a straight-line basis and are recomputed annually. The full amount of the entrance fees is amortized since the contracts with the residents do not provide for any refund after the refund period.

Interest Rate Swap - Interest rate swap contracts designated and qualifying as cash flow hedges are reported at fair value. The gain or loss on the effective portion of the hedge initially is included as a component of unrestricted net assets and is subsequently reclassified into earnings when interest on the related debt is paid.

Sales Tax - The Organization collects sales tax. The amount received is credited to a liability account and as payments are made, this account is charged. At any point in time, this account represents the net amount owed to the taxing authority for amounts collected but not yet remitted.

Amortization - Bond issue costs (consisting of legal, feasibility, and consulting fees) incurred with the 2011 Bonds are amortized over the life of the bond issue using the effective interest method.

Obligation to Provide Future Services - The Organization annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents, and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. At September 30, 2019 and 2018, deferred revenue from entrance fees exceeded the present value of the net cost of future services and use of facilities, thus no obligation is recorded.

Benevolent Assistance - The Organization provides care to residents who meet certain criteria under its benevolent assistance policy without charge or at amounts less than its established rates.

Use of Estimates - The preparation of combined financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the combined financial statements and notes. Actual results could differ from those estimates.

Note 2 - Concentration of Credit Risk:

The Organization grants credit for services to its residents for generally no more than one month of service.

The Organization places its cash and cash equivalents on deposit with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposits held in noninterest-bearing transaction accounts are aggregated with any interest-bearing deposits the owner may hold in the same ownership category, and the combined total is insured up to at least \$250,000. During the years, the Organization from time to time may have had amounts on deposit in excess of the insured limit. As of September 30, 2019, the Organization's cash balances exceeded the FDIC insured amount by \$734,587.

Note 3 - Restricted Cash:

At September 30, 2019 and 2018, the Organization had \$9,010 and \$11,072, respectively, of restricted cash. These funds are held in trust for resident's personal needs.

FRIENDS HOMES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 4 - Investments:

Investments are reflected in the combined financial statements at fair value. Cost is determined by actual cost on the date of purchase or at fair market value on the date of donation. Investments, stated at fair value, at September 30, 2019 and 2018 are as follows:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Common stocks	\$ 145,643	\$ 498,678	\$ 209,077	\$ 751,992
Mutual funds	25,620,887	28,506,307	24,406,298	28,733,554
EFTs	5,179,865	6,721,489	5,839,169	7,385,468
Bonds	4,498,445	4,614,570	5,077,556	5,003,274
Money market instruments	274,602	274,803	-	-
	<u>\$ 35,719,442</u>	<u>\$ 40,615,847</u>	<u>\$ 35,532,100</u>	<u>\$ 41,874,288</u>

Note 5 - Fair Value Information:

Accounting guidance for fair value measurements established a fair value hierarchy to prioritize the inputs of valuation techniques used to measure fair value. Outlined below is the application of the fair value hierarchy established by the accounting guidance for fair value measurements to Friends Homes, Inc.'s assets and liabilities that are carried at fair value:

Level 1 - Inputs to the valuation methodology are quoted prices for identical assets in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset; inputs that are derived principally from or corroborated by observable market data by correlation or other means. The market approach is the valuation technique used to determine Level 2 fair value measurements.

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

Assets and liabilities measured at fair value on a recurring basis were as follows:

Description	Assets at Fair Value as of September 30, 2019			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments:				
Common stocks	\$ 498,678	\$ 498,678		
Mutual funds	28,506,307	28,506,307		
ETFs	6,721,489	6,721,489		
Bonds	4,614,570	4,614,570		
Money market instruments	274,803	274,803		
	<u>\$ 40,615,847</u>	<u>\$ 40,615,847</u>		

Liabilities:

Interest rate swap	\$ 144,130	\$ 144,130
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	Assets at Fair Value as of September 30, 2018	
Assets:		
Investments:		
Common stocks	\$ 751,992	\$ 751,992
Mutual funds	28,733,554	28,733,554
ETFs	7,385,468	7,385,468
Bonds	5,003,274	5,003,274
	<u>\$ 41,874,288</u>	<u>\$ 41,874,288</u>
Interest rate swap	\$ 273,153	\$ 273,153

FRIENDS HOMES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 6 - Property and Equipment:

A summary of property and equipment at September 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Land and land improvements	\$ 6,567,446	\$ 6,543,748
Buildings and improvements	75,631,218	72,755,199
Furniture and equipment	6,265,365	4,498,014
Vehicles	<u>427,272</u>	<u>450,878</u>
	<u>\$ 88,891,301</u>	<u>\$ 84,247,839</u>

Note 7 - Notes Payable:

The holders of notes are paid interest semi-annually on June 30 and December 31 at 4% annually. The balance of these notes at September 30, 2019 and 2018 was \$727,500 and \$872,500, respectively.

Note 8 - Long-Term Debt:

Long-term borrowings as of September 30, 2019 and 2018 included certain restrictions described below and consisted of the following:

	<u>2019</u>	<u>2018</u>
Health Care Facilities First Mortgage Revenue Refunding Bonds (Friends Homes, Inc.), Series 2011: Principal maturing in varying amounts monthly beginning December 1, 2011 through September 1, 2033, with interest payable monthly at a variable rate; collateralized by a pledge of the Organization's property, equipment, and all other assets -		
Amount of issue at variable rate	\$ 13,750,000	\$ 14,497,500
Amount of issue covered by interest rate swap	<u>13,750,000</u>	<u>14,497,500</u>
	27,500,000	28,995,000
Less, current maturities	<u>1,565,000</u>	<u>1,495,000</u>
	25,935,000	27,500,000
Less, unamortized bond issuance costs	<u>91,639</u>	<u>112,184</u>
	<u>\$ 25,843,361</u>	<u>\$ 27,387,816</u>

Combined aggregate amounts of maturities and bond sinking fund requirements for the next five years are as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2020	\$ 1,565,000
2021	1,640,000
2022	1,555,000
2023	1,630,000
2024	1,705,000

On November 1, 2011, the Organization entered into a loan agreement with the North Carolina Medical Care Commission under which the North Carolina Medical Care Commission agreed to issue \$37,745,000 North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Refunding Bonds (Friends Homes, Inc.), Series 2011 and lend the Organization the proceeds to refund the 2003 bond issue. In addition, the Organization entered into a covenant agreement with Branch Banking and Trust Company whereby Branch Banking and Trust Company agreed to purchase the bonds from the North Carolina Medical Care Commission and to hold them for a period of ten years. The Organization will pay an interest rate of 78% of one-month LIBOR plus 160 basis points on the bonds. On May 1, 2018 the bond rate was amended to 68% of LIBOR plus 160 basis points multiplied times a tax law adjustment of 1.21538.

FRIENDS HOMES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 8 - Long-Term Debt (Continued):

On May 1, 2018, the Organization amended its swap agreement with Branch Banking and Trust Company whereby the Organization would essentially stabilize the interest rate on one-half of the outstanding principal value of its Health Care Facilities First Mortgage Revenue Refunding Bonds at a fixed rate of 3.633%. Beginning June 1, 2018, this agreement obligates Branch Banking and Trust Company to pay the Organization monthly interest at 82.646% of the one-month LIBOR plus 194.461 basis points in exchange for the Organization's interest payment at 3.633%. The Organization recognizes the net payment as an increase or decrease to interest expense in the period paid. This agreement terminates on November 1, 2021. The fair market value of the interest rate swap asset (liability) at September 30, 2019 and 2018 was (\$144,130) and \$273,153, respectively. The change in fair market value is recognized as an increase (decrease) in unrestricted net assets.

Note 9 - Net Assets with Donor Restrictions:

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

	<u>2019</u>	<u>2018</u>
Quaker Benevolent Fund	\$ 221,953	\$ 215,648
Benevolent Fund - Guilford	65,052	49,716
Benevolent Fund - West	8,172	165
Resident Appreciation Fund - Guilford	55,055	50,367
Resident Appreciation Fund - West	8,639	11,359
Chapel Fund - Guilford	30,000	30,000
Clinard Fund	36,813	36,813
Education Assist Program	17,138	17,138
Nursing - West	10,000	-
Other	11,805	11,763
Restricted in perpetuity - Benevolent Fund – Guilford	50,000	50,000
Restricted in perpetuity - Resident Appreciation Fund - Guilford	15,000	15,000
	<u>\$ 529,627</u>	<u>\$ 487,969</u>

Net assets were released from donor restrictions as follows by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors:

	<u>2019</u>	<u>2018</u>
Benevolent Fund - Guilford	\$ 12,288	\$ 27,724
Benevolent Fund - West	55,896	10,187
Resident Appreciation Fund - Guilford	52,087	50,449
Resident Appreciation Fund - West	44,604	41,052
Other funds	497	12,620
	<u>\$ 165,372</u>	<u>\$ 142,032</u>

FRIENDS HOMES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 10 - Classification of Expenses:

Classification of expenses for the years ended September 30, 2019 and 2018 are as follows:

	2019		
	Total	Program Services	General and Administrative
Expenses:			
Salaries and benefits	\$ 12,742,200	\$ 11,524,795	\$ 1,217,405
Health insurance	1,353,548	1,191,122	162,426
Food costs	1,495,198	1,495,198	-
Utilities	1,354,092	1,297,895	56,197
Repairs and maintenance	1,661,402	1,659,633	1,769
Contractual medical	1,273,088	1,273,088	-
Other supplies	1,185,376	974,387	210,989
Medical supplies and drugs	528,653	528,653	-
General insurance	391,873	270,737	121,136
Contractual dietary	844,369	844,369	-
Charitable care	487,812	487,812	-
Professional fees	260,076	176,426	83,650
Management fees	1,242,852	621,426	621,426
Other	886,561	666,496	220,065
Interest expense	1,110,524	977,261	133,263
Depreciation and amortization	2,709,092	2,573,638	135,454
Amortization of bond issue costs	<u>20,545</u>	<u>20,545</u>	<u>-</u>
Total expenses	<u>\$ 29,547,261</u>	<u>\$ 26,583,481</u>	<u>\$ 2,963,780</u>

	2018		
	Total	Program Services	General and Administrative
Expenses:			
Salaries and benefits	\$ 12,369,307	\$ 11,219,933	\$ 1,149,374
Health insurance	1,525,503	1,342,443	183,060
Food costs	1,547,791	1,547,791	-
Utilities	1,370,299	1,313,429	56,870
Repairs and maintenance	1,704,257	1,698,392	5,865
Contractual medical	912,849	912,849	-
Other supplies	911,605	655,187	256,418
Medical supplies and drugs	437,286	437,286	-
General insurance	395,376	268,154	127,222
Contractual dietary	797,437	797,437	-
Charitable care	378,762	378,762	-
Professional fees	181,538	105,694	75,844
Management fees	1,161,979	580,990	580,989
Other	740,104	513,279	226,825
Interest expense	1,077,542	948,237	129,305
Depreciation and amortization	2,482,000	2,357,900	124,100
Amortization of bond issue costs	<u>16,565</u>	<u>16,565</u>	<u>-</u>
Total expenses	<u>\$ 28,010,200</u>	<u>\$ 25,094,328</u>	<u>\$ 2,915,872</u>

FRIENDS HOMES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 11 - Retirement Plan:

The Organization has a defined-contribution pension plan covering all eligible employees. The plan was established effective January 1, 1994. Annual contributions to the plan amount to 3% of eligible salaries. Pension expense for the years ended September 30, 2019 and 2018 amounted to \$242,918 and \$251,732, respectively.

Effective May 23, 2019, the Organization offers a 401(k) plan to their employees to promote tax-deferred savings. Employees are eligible to participate when they have completed 90 days of service and have attained age 18. The Organization contributes a match of 1%. The Organization's contributions to the plan were \$107,803 for 2019.

Note 12 - Liquidity and Availability of Resources:

The Organization's financial assets that are available for general expenditures within one year of September 30, 2019 and 2018 are as follows:

	2019	2018
Cash	\$ 1,143,803	\$ 1,222,725
Accounts receivable	1,140,053	1,165,669
Investments	40,615,847	41,874,288
Total financial assets available within one year	42,899,703	44,262,682
Less, amounts unavailable for general expenditures within one year due to:		
Deposits held in custody for others	9,010	11,072
Restricted by donors with purpose restrictions	529,627	487,969
Total financial assets available to management for general expenditures within one year	\$ 42,361,066	\$ 43,763,641

The Organization maintains a general policy of structuring its financial assets to be available as its recurring expenditures, liabilities, and other obligations come due.

Note 13 - Statutory Operating Reserve:

North Carolina General Statutes Chapter 58, Article 64 requires the Organization to maintain an operating reserve equal to 25% of the total operating costs projected for the twelve-month operating period ending September 2019. The operating reserve of 25% assumes an occupancy level of 90%. The Organization currently exceeds the 90% occupancy level and expects to continue to do so.

The forecasted operating reserve for 2019 (unaudited) is as follows:

Total forecasted operating expenses	\$ 29,914,190
Depreciation and amortization expense	(2,571,541)
Annual principal payments	1,495,000
	28,837,649
	x 25%
Estimated reserve required	\$ 7,209,412

FRIENDS HOMES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 14 - Commitments:

At September 30, 2019, the remaining construction commitments outstanding for the Communities are:

Architect and Engineering	\$ 1,628,419
Interior Design	133,881
Survey and Testing	<u>25,705</u>
	<u>\$ 1,788,005</u>

Note 15 - Contingencies:

The Organization maintains a self-insurance program for its employees' health care costs. The Organization is liable for losses on claims up to \$80,000 per specific claim and \$2,584,822 in aggregate claims, fees, and premiums for the year less employee contributions of \$287,210. The Organization has third-party coverage for any losses in excess of such amounts. The total accrued liability for self-insurance medical costs was \$350,000 and \$360,000 as of September 30, 2019 and 2018, respectively.

The Organization also maintains a self-insurance program for its employees' dental costs. Self-insurance costs are accrued based on claims reported as of the date of the combined balance sheets as well as an estimated liability for claims incurred but not reported. The total accrued liability for self-insurance dental costs was \$20,000 as of September 30, 2019 and 2018.

Note 16 - Income Taxes:

The Organization has been recognized by the Internal Revenue Service as a nonprofit corporation as described in Sec. 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes pursuant to Sec. 501(a) of the IRC. The Organization is also exempt from state income taxes. Information returns are filed with the appropriate taxing authorities, as required by law.

The Organization has determined that it has no uncertain income tax positions as of September 30, 2019 and 2018. Also, the Organization does not anticipate any increase or decrease in unrecognized tax benefits during the next twelve months that would result in a material change in its financial position. The Organization's income tax returns for years ended after September 30, 2016 remain open for examination.

The Organization includes interest and penalties in the combined financial statements as a component of income tax expense. No interest or penalties are included in the Organization's income tax expense for the years ended September 30, 2019 and 2018.

Note 17 – Accounting Pronouncement Adopted:

During the year ended September 30, 2019, The Organization adopted *Accounting Standards Update (ASU) 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities"*. This ASU amends and enhances the financial reporting of nonprofit organizations. The major provisions applicable to the Organization are as follows: (a) net assets in the statements of financial position are presented in only two classes now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) all nonprofit organizations are now required to present an analysis of expenses by function and natural category and the methods used to allocate costs must be disclosed, (c) investment return is required to be presented net of external and direct internal investment expenses, and (d) certain disclosures are required regarding the Organization's liquidity and availability of its financial assets (see Note 13). The Organization has implemented this ASU on a retrospective basis and all applicable provisions are reflected in the Organization's financial statements for the years ended September 30, 2019 and 2018.

Note 18 - Reclassification:

Certain items in the September 30, 2018 combined financial statements have been reclassified to conform to the September 30, 2019 presentation.

FRIENDS HOMES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 19 - Subsequent Events:

On October 1, 2019, the Organization canceled the Interest Rate Swap Agreement with Branch Banking and Trust Company.

On October 16, 2019, the Organization entered into a loan agreement with the Public Finance Authority under which the Public Finance Authority agreed to issue \$49,320,000 Public Finance Authority Retirement Facilities Revenue Bond (Friends Homes, Inc.), Series 2019 and lend the Organization the proceeds to refund the Health Care Facilities First Mortgage Revenue Refunding Bonds (Friends Homes, Inc.), Series 2011 issue and finance the costs related to capital improvements at the Communities, and to pay the expenses incurred in connection with the issuance of the bonds.

The following table summarizes the sources and uses of funds related to the bond issuance.

Sources of funds:

Par amount:	
Term Bonds due September 1, 2024 at 4%	\$ 3,040,000
Term Bonds due September 1, 2029 at 4%	3,950,000
Term Bonds due September 1, 2039 at 5%	11,150,000
Term Bonds due September 1, 2049 at 5%	18,175,000
Term Bonds due September 1, 2054 at 5%	<u>13,005,000</u>
Total par amount	49,320,000
Premium	<u>4,823,526</u>
Total sources of funds	<u>\$ 54,143,526</u>

Uses of funds:

20 ILU Expansion	\$ 12,000,000
Routine Capital Expenditures	10,058,996
Refinancing Series 2011	27,414,079
Debt Service Reserve Fund	3,008,500
Funded Interest Fund	942,775
Underwriter's Discount	419,220
Cost of Issuance	<u>299,956</u>
Total uses of funds	<u>\$ 54,143,526</u>

Combined aggregate amounts of maturities and bond sinking fund requirements for the next five years are as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2020	\$ 560,000
2021	460,000
2022	645,000
2023	675,000
2024	700,000

The Organization's management has evaluated the effects subsequent events would have on the combined financial statements through November 20, 2019, the date the combined financial statements were available for issuance.



Turlington and Company, L.L.P.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees
Friends Homes, Inc.
Greensboro, North Carolina

We have audited the combined financial statements of Friends Homes, Inc. as of and for the years ended September 30, 2019 and 2018, and our report thereon dated November 20, 2019, which expressed an unmodified opinion on those combined financial statements appears on page 1. Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining balance sheets, combining statements of changes in net assets, combining statements of operations, and combining statements of cash flows are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Turlington and Company, L.L.P.

Lexington, North Carolina
November 20, 2019

FRIENDS HOMES, INC.

COMBINING BALANCE SHEETS

	September 30, 2019				September 30, 2018			
	Guilford	West	Eliminations	Total	Guilford	West	Eliminations	Total
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 1,041,760	\$ 102,043		\$ 1,143,803	\$ 1,200,590	\$ 22,135		\$ 1,222,725
Accounts receivable:								
Patients and residents - net of allowance for uncollectible accounts of \$175,000 for 2019 and 2018	456,952	683,101		1,140,053	532,297	633,372		1,165,669
Interest receivable	29,779	4,018		33,797	34,593	4,150		38,743
Other	108,357	65,824		174,181	93,311	103,790		197,101
Inventories and prepaid expenses	118,046	92,407		210,453	177,223	136,876		314,099
	<u>1,754,894</u>	<u>947,393</u>	<u>\$ -</u>	<u>2,702,287</u>	<u>2,038,014</u>	<u>900,323</u>	<u>\$ -</u>	<u>2,938,337</u>
Investments limited as to use:								
Reserved by State Statute	3,999,418	3,209,994	-	7,209,412	3,940,916	2,985,865	-	6,926,781
Investments	28,257,392	5,149,043	-	33,406,435	29,664,127	5,283,380	-	34,947,507
Property and equipment:								
Cost	46,628,189	42,263,112		88,891,301	44,840,629	39,407,210		84,247,839
Less, accumulated depreciation	20,198,906	20,487,678		40,686,584	19,288,135	19,449,746		38,737,881
	<u>26,429,283</u>	<u>21,775,434</u>	<u>-</u>	<u>48,204,717</u>	<u>25,552,494</u>	<u>19,957,464</u>	<u>-</u>	<u>45,509,958</u>
Other assets:								
Construction in process	1,706,798	122,523		1,829,321	772,130	1,528,610		2,300,740
Interest rate swap	-	-		-	-	273,153		273,153
Intercompany	-	20,835,805	(20,835,805)	-	-	20,196,799	(20,196,799)	-
	<u>1,706,798</u>	<u>20,958,328</u>	<u>(20,835,805)</u>	<u>1,829,321</u>	<u>772,130</u>	<u>21,998,562</u>	<u>(20,196,799)</u>	<u>2,573,893</u>
	<u>\$ 62,147,785</u>	<u>\$ 52,040,192</u>	<u>(\$ 20,835,805)</u>	<u>\$ 93,352,172</u>	<u>\$ 61,967,681</u>	<u>\$ 51,125,594</u>	<u>(\$ 20,196,799)</u>	<u>\$ 92,896,476</u>
LIABILITIES AND NET ASSETS								
Current liabilities:								
Current maturities on long-term debt	\$ 782,500	\$ 782,500		\$ 1,565,000	\$ 747,500	\$ 747,500		\$ 1,495,000
Notes payable	727,500	-		727,500	872,500	-		872,500
Accounts payable - trade	1,166,711	407,625		1,574,336	460,332	730,028		1,190,360
Accrued expenses	1,128,893	734,252		1,863,145	1,126,049	619,828		1,745,877
Prepaid entrance fee	-	-		-	-	124,200		124,200
Prepaid rent	-	-		-	21,872	5,024		26,896
Occupancy deposits	84,063	154,362		238,425	96,063	166,662		262,725
	<u>3,889,667</u>	<u>2,078,739</u>	<u>\$ -</u>	<u>5,968,406</u>	<u>3,324,316</u>	<u>2,393,242</u>	<u>\$ -</u>	<u>5,717,558</u>
Long-term debt, less current maturities	12,772,097	13,071,264		25,843,361	13,544,530	13,843,286		27,387,816
Interest rate swap	-	144,130		144,130	-	-		-
Refundable fees	1,573,045	6,851,583		8,424,628	1,234,648	6,096,451		7,331,099
Deferred revenue from advance fees	2,443,950	5,142,387		7,586,337	1,986,764	5,657,585		7,644,349
Deferred revenue - rent reduction	149,669	-		149,669	235,541	-		235,541
Intercompany	20,835,805	-	(20,835,805)	-	20,196,799	-	(20,196,799)	-
	<u>41,664,233</u>	<u>27,288,103</u>	<u>(20,835,805)</u>	<u>48,116,531</u>	<u>40,522,598</u>	<u>27,990,564</u>	<u>(20,196,799)</u>	<u>48,316,363</u>
Net assets:								
Without donor restrictions:								
Undesignated	16,545,103	24,722,644		41,267,747	17,657,331	23,120,741		40,778,072
Board designated for special projects	3,438,267	-		3,438,267	3,314,072	-		3,314,072
With donor restrictions	500,182	29,445		529,627	473,680	14,289		487,969
	<u>20,483,552</u>	<u>24,752,089</u>	<u>-</u>	<u>45,235,641</u>	<u>21,445,083</u>	<u>23,135,030</u>	<u>-</u>	<u>44,580,113</u>
	<u>\$ 62,147,785</u>	<u>\$ 52,040,192</u>	<u>(\$ 20,835,805)</u>	<u>\$ 93,352,172</u>	<u>\$ 61,967,681</u>	<u>\$ 51,125,594</u>	<u>(\$ 20,196,799)</u>	<u>\$ 92,896,476</u>

FRIENDS HOMES, INC.

COMBINING STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended September 30, 2019				Year Ended September 30, 2018			
	Guilford	West	Eliminations	Total	Guilford	West	Eliminations	Total
Net assets without donor restrictions:								
Operating income	\$ 45,113	\$ 2,431,824		\$ 2,476,937	\$ 1,023,077	\$ 2,365,966		\$ 3,389,043
Changes in net unrealized gains and losses on other than trading securities	(1,033,146)	(412,638)		(1,445,784)	(35,046)	403,544		368,498
Unrealized gain (loss) on interest rate swap	-	(417,283)		(417,283)	-	361,853		361,853
Increase (decrease) in net assets without donor restrictions	(988,033)	1,601,903	\$ -	613,870	988,031	3,131,363	\$ -	4,119,394
Net assets with donor restrictions:								
Contributions	91,184	115,846		207,030	134,958	62,562		197,520
Net assets released from restrictions used for operations	(64,682)	(100,690)		(165,372)	(85,358)	(56,674)		(142,032)
Increase in net assets with donor restrictions	26,502	15,156	-	41,658	49,600	5,888	-	55,488
Increase (decrease) in net assets	(961,531)	1,617,059	-	655,528	1,037,631	3,137,251	-	4,174,882
Net assets - beginning of years	21,445,083	23,135,030	-	44,580,113	20,407,452	19,997,779	-	40,405,231
Net assets - end of years	<u>\$ 20,483,552</u>	<u>\$ 24,752,089</u>	<u>\$ -</u>	<u>\$ 45,235,641</u>	<u>\$ 21,445,083</u>	<u>\$ 23,135,030</u>	<u>\$ -</u>	<u>\$ 44,580,113</u>

FRIENDS HOMES, INC.

COMBINING STATEMENTS OF OPERATIONS

	Year Ended September 30, 2019				Year Ended September 30, 2018			
	Guilford	West	Eliminations	Total	Guilford	West	Eliminations	Total
Unrestricted revenues, gains, and other support:								
Residential services, including amortization of advance fees of \$2,308,737 in 2019 and \$2,386,635 in 2018	\$ 14,918,819	\$ 14,671,680		\$ 29,590,499	\$ 13,803,038	\$ 14,171,249		\$ 27,974,287
Contributions	26,549	22,275		48,824	12,067	10,850		22,917
Dividends and interest	1,175,270	352,430		1,527,700	1,112,778	244,117		1,356,895
Gain (loss) on disposal of equipment	(2,809)	(4,169)		(6,978)	-	1,936		1,936
Realized gain on sales of investments (net)	471,547	227,234		698,781	1,646,109	255,067		1,901,176
Net assets released from restrictions used for operations	64,682	100,690		165,372	85,358	56,674		142,032
	<u>16,654,058</u>	<u>15,370,140</u>	<u>\$ -</u>	<u>32,024,198</u>	<u>16,659,350</u>	<u>14,739,893</u>	<u>\$ -</u>	<u>31,399,243</u>
Expenses:								
Salaries and benefits	7,445,510	5,296,690		12,742,200	7,287,805	5,081,502		12,369,307
Health insurance	881,577	471,971		1,353,548	937,958	587,545		1,525,503
Food costs	889,662	605,536		1,495,198	955,216	592,575		1,547,791
Utilities	769,799	584,293		1,354,092	782,058	588,241		1,370,299
Repairs and maintenance	1,010,659	650,743		1,661,402	751,160	953,097		1,704,257
Contractual medical	530,067	743,021		1,273,088	415,600	497,249		912,849
Other supplies	720,171	465,205		1,185,376	531,407	380,198		911,605
Medical supplies and drugs	333,151	195,502		528,653	260,431	176,855		437,286
General insurance	211,285	180,588		391,873	228,349	167,027		395,376
Contractual dietary	368,274	476,095		844,369	305,129	492,308		797,437
Charitable care	284,375	203,437		487,812	233,275	145,487		378,762
Professional fees	130,605	129,471		260,076	94,600	86,938		181,538
Management fees	621,426	621,426		1,242,852	580,990	580,989		1,161,979
Other	433,828	452,733		886,561	386,809	353,295		740,104
Interest expense	571,380	539,144		1,110,524	574,094	503,448		1,077,542
Depreciation and amortization	1,397,109	1,311,983		2,709,092	1,303,275	1,178,725		2,482,000
Amortization of bond issue costs	10,067	10,478		20,545	8,117	8,448		16,565
	<u>16,608,945</u>	<u>12,938,316</u>	<u>-</u>	<u>29,547,261</u>	<u>15,636,273</u>	<u>12,373,927</u>	<u>-</u>	<u>28,010,200</u>
Operating income	45,113	2,431,824	-	2,476,937	1,023,077	2,365,966	-	3,389,043
Changes in net unrealized gains and losses on other than trading securities	(1,033,146)	(412,638)	-	(1,445,784)	(35,046)	403,544	-	368,498
Unrealized gain (loss) on interest rate swap	-	(417,283)	-	(417,283)	-	361,853	-	361,853
Increase (decrease) in net assets without donor restrictions	<u>(\$ 988,033)</u>	<u>\$ 1,601,903</u>	<u>\$ -</u>	<u>\$ 613,870</u>	<u>\$ 988,031</u>	<u>\$ 3,131,363</u>	<u>\$ -</u>	<u>\$ 4,119,394</u>

FRIENDS HOMES, INC.

COMBINING STATEMENTS OF CASH FLOWS

	Year Ended September 30, 2019				Year Ended September 30, 2018			
	Guilford	West	Eliminations	Total	Guilford	West	Eliminations	Total
Cash flows from operating activities:								
Changes in net assets	(\$ 961,531)	\$ 1,617,059		\$ 655,528	\$ 1,037,631	\$ 3,137,251		\$ 4,174,882
Adjustments to reconcile change in net assets to net cash provided by operating activities:								
Termination income and amortization of advance fees	(488,737)	(1,820,000)		(2,308,737)	(456,088)	(1,930,547)		(2,386,635)
Realized gain on sales of investments (net)	(471,547)	(227,234)		(698,781)	(1,646,109)	(255,067)		(1,901,176)
Amortization of bond issue costs	10,067	10,478		20,545	8,117	8,448		16,565
Depreciation and amortization	1,397,109	1,311,983		2,709,092	1,303,275	1,178,725		2,482,000
Amortization of deferred revenue - rent reduction	(85,872)	-		(85,872)	(161,439)	-		(161,439)
(Gain) loss on disposal of equipment	2,809	4,169		6,978	-	(1,936)		(1,936)
Net unrealized (gain) loss on investments	1,033,146	412,638		1,445,784	35,046	(403,544)		(368,498)
Unrealized (gain) loss on interest rate swap	-	417,283		417,283	-	(361,853)		(361,853)
Changes in assets and liabilities:								
Accounts receivable	43,241	(16,655)		26,586	(71,178)	(235,341)		(306,519)
Inventories and prepaid expenses	59,177	44,469		103,646	(27,925)	29,735		1,810
Accounts payable and other accrued liabilities	709,223	(207,979)		501,244	499,529	418,640		918,169
Due to Friends Homes West	639,006	-	(\$ 639,006)	-	723,127	-	(\$ 723,127)	-
Due to Friends Homes Guilford	-	(639,006)	639,006	-	-	(723,127)	723,127	-
Net cash provided by operating activities	<u>1,886,091</u>	<u>907,205</u>	<u>-</u>	<u>2,793,296</u>	<u>1,243,986</u>	<u>861,384</u>	<u>-</u>	<u>2,105,370</u>
Cash flows from investing activities:								
Proceeds from sales and maturities of investments	6,700,995	4,053,340		10,754,335	10,890,079	1,737,021		12,627,100
Proceeds from sale of property and equipment	-	-		-	-	1,936		1,936
Purchase of investments	(5,914,361)	(4,328,536)		(10,242,897)	(11,826,232)	(2,351,996)		(14,178,228)
Purchase of property and equipment	(3,211,375)	(1,728,035)		(4,939,410)	(2,192,132)	(2,706,058)		(4,898,190)
Net cash used for investing activities	<u>(2,424,741)</u>	<u>(2,003,231)</u>	<u>-</u>	<u>(4,427,972)</u>	<u>(3,128,285)</u>	<u>(3,319,097)</u>	<u>-</u>	<u>(6,447,382)</u>
Cash flows from financing activities:								
Proceeds from advance fees and deposits	1,447,000	2,065,800		3,512,800	1,093,900	2,949,200	-	4,043,100
Payment of debt issuance costs	-	-		-	(4,900)	(5,100)		(10,000)
Reduction in long-term debt	(747,500)	(747,500)		(1,495,000)	(712,500)	(712,500)		(1,425,000)
Reduction in short-term debt	(145,000)	-		(145,000)	(265,000)	-		(265,000)
Refunds of advance fees and deposits	(174,680)	(142,366)		(317,046)	(71,550)	(140,450)		(212,000)
Net cash provided by financing activities	<u>379,820</u>	<u>1,175,934</u>	<u>-</u>	<u>1,555,754</u>	<u>39,950</u>	<u>2,091,150</u>	<u>-</u>	<u>2,131,100</u>
Net increase (decrease) in cash	(158,830)	79,908	-	(78,922)	(1,844,349)	(366,563)	-	(2,210,912)
Cash and cash equivalents - beginning of years	<u>1,200,590</u>	<u>22,135</u>	<u>-</u>	<u>1,222,725</u>	<u>3,044,939</u>	<u>388,698</u>	<u>-</u>	<u>3,433,637</u>
Cash and cash equivalents - end of years	<u>\$ 1,041,760</u>	<u>\$ 102,043</u>	<u>\$ -</u>	<u>\$ 1,143,803</u>	<u>\$ 1,200,590</u>	<u>\$ 22,135</u>	<u>\$ -</u>	<u>\$ 1,222,725</u>

Exhibit B

FRIENDS HOMES, INC.

**FORECAST WITH SUMMARY OF
SIGNIFICANT ASSUMPTIONS**

**AS OF AND FOR THE YEARS ENDING
SEPTEMBER 30, 2020, 2021, 2022, 2023, AND 2024**

AS OF JANUARY 14, 2020



Turlington and Company, L.L.P.
Certified Public Accountants

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Trustees
Friends Homes, Inc.
Greensboro, North Carolina

Management is responsible for the accompanying financial forecast of Friends Homes, Inc. which comprises the forecasted combined statements of financial position as of September 30, 2020, 2021, 2022, 2023, and 2024, and the related forecasted combined statements of operations and changes in net assets, and cash flows for the years then ending, and the related summary of significant forecast assumptions in accordance with guidelines for the presentation of a financial forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the financial forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management, and we do not express an opinion, a conclusion, nor provide any form of assurance on the financial forecast.

The forecast results may not be achieved as 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. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Management has elected to omit the summary of significant accounting policies and the statement of functional expenses required under established guidelines for presentation of prospective financial statements. If the omitted summary of significant accounting policies and the statement of functional expenses was included in the financial forecast, they might influence the user's conclusions about Friends Homes, Inc.'s financial position, changes in net assets, results of operations, and cash flows. Accordingly, the financial forecast is not designed for those who are not informed about such matters.

Turlington and Company, L.L.P.

Lexington, North Carolina
January 14, 2020

FRIENDS HOMES, INC.

FORECASTED COMBINED STATEMENTS OF FINANCIAL POSITION
(In Thousands of Dollars)

	S e p t e m b e r 3 0				
	2020	2021	2022	2023	2024
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Assets limited as to use, required for current liabilities	-	-	22,526	22,526	-
Accounts receivable, net	1,163	1,185	1,208	1,234	1,258
Other receivables	100	100	100	100	100
Other current assets	325	332	339	346	353
	<u>2,588</u>	<u>2,617</u>	<u>25,173</u>	<u>25,206</u>	<u>2,711</u>
Investments limited as to use:					
Under bond agreement	36,508	3,008	3,008	3,008	3,008
Reserves required by State Statute	7,196	7,386	8,292	9,144	10,309
	<u>43,704</u>	<u>10,394</u>	<u>11,300</u>	<u>12,152</u>	<u>13,317</u>
Investments	<u>42,033</u>	<u>43,707</u>	<u>49,007</u>	<u>49,374</u>	<u>45,781</u>
Property and equipment:					
Land, buildings, equipment and CIP	<u>126,221</u>	<u>161,721</u>	<u>163,721</u>	<u>165,721</u>	<u>167,721</u>
Less, accumulated depreciation	<u>43,616</u>	<u>46,595</u>	<u>50,450</u>	<u>55,155</u>	<u>59,886</u>
	<u>\$ 170,930</u>	<u>\$ 171,844</u>	<u>\$ 198,751</u>	<u>\$ 197,298</u>	<u>\$ 169,644</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Current maturities on long-term debt	\$ 460	\$ 645	\$ 675	\$ 27,400	\$ 730
Notes payable	728	728	728	728	728
Accounts payable	1,575	1,574	1,577	1,576	1,577
Accrued payroll and related expenses	1,862	1,862	1,862	1,862	1,862
Occupancy deposits	238	238	238	239	239
	<u>4,863</u>	<u>5,047</u>	<u>5,080</u>	<u>31,805</u>	<u>5,136</u>
Long-term debt, less current maturities	<u>103,072</u>	<u>102,201</u>	<u>101,301</u>	<u>73,679</u>	<u>72,773</u>
Deferred revenue:					
Deferred revenue from entrance fees	8,455	9,139	20,938	19,590	17,992
Deferred revenue from entrance fees - refundable	9,267	9,926	23,528	21,884	19,919
Deferred revenue - rent reduction	150	150	150	150	150
	<u>17,872</u>	<u>19,215</u>	<u>44,616</u>	<u>41,624</u>	<u>38,061</u>
	<u>125,807</u>	<u>126,463</u>	<u>150,997</u>	<u>147,108</u>	<u>115,970</u>
Net assets:					
Assets without donor restrictions	41,156	41,414	43,787	46,223	49,707
Assets with donor restrictions	3,967	3,967	3,967	3,967	3,967
	<u>45,123</u>	<u>45,381</u>	<u>47,754</u>	<u>50,190</u>	<u>53,674</u>
	<u>\$ 170,930</u>	<u>\$ 171,844</u>	<u>\$ 198,751</u>	<u>\$ 197,298</u>	<u>\$ 169,644</u>

See accompanying summary of significant forecast assumptions
and independent accountants' compilation report

FRIENDS HOMES, INC.

FORECASTED COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
(In Thousands of Dollars)

	Years Ending September 30				
	2020	2021	2022	2023	2024
Changes in net assets without donor restrictions:					
Operating revenues:					
Amortized entry fees	\$ 2,227	\$ 2,595	\$ 6,432	\$ 6,930	\$ 7,501
Service fees, residential	11,784	12,142	14,261	17,595	18,128
Service fees, assisted living	4,225	4,375	4,529	4,688	4,854
Service fees, nursing	10,183	10,449	10,764	11,068	11,375
Food service income	114	114	114	114	114
Contributions	80	80	80	80	80
Reimbursed medical	1,012	1,012	1,012	1,012	1,012
Investment income	1,200	1,200	1,200	1,200	1,200
Other	130	130	129	130	130
	<u>30,955</u>	<u>32,097</u>	<u>38,521</u>	<u>42,817</u>	<u>44,394</u>
Operating expenses:					
Resident care	7,721	7,893	8,071	8,252	8,439
Dining services	5,017	5,148	5,713	6,380	6,550
Environmental services	2,120	2,178	2,300	2,437	2,503
Resident services	1,155	1,188	1,327	1,482	1,525
Maintenance and grounds	3,680	3,761	4,098	4,566	4,673
Marketing	672	688	829	765	781
Administration	4,617	4,743	4,933	5,167	5,309
Bond and note interest	1,550	1,748	3,340	4,750	4,427
Depreciation, amortization and other charges	2,701	2,753	3,631	4,483	4,554
Management fees	1,231	1,307	1,478	1,668	1,718
Miscellaneous, net	462	432	428	431	431
	<u>30,926</u>	<u>31,839</u>	<u>36,148</u>	<u>40,381</u>	<u>40,910</u>
Operating income	29	258	2,373	2,436	3,484
Loss on interest rate swap	(141)	-	-	-	-
Changes in net assets without donor restrictions	(112)	258	2,373	2,436	3,484
Net assets, beginning	<u>45,235</u>	<u>45,123</u>	<u>45,381</u>	<u>47,754</u>	<u>50,190</u>
Net assets, ending	<u>\$ 45,123</u>	<u>\$ 45,381</u>	<u>\$ 47,754</u>	<u>\$ 50,190</u>	<u>\$ 53,674</u>

See accompanying summary of significant forecast assumptions
and independent accountants' compilation report

FRIENDS HOMES, INC.

FORECASTED COMBINED STATEMENTS OF CASH FLOWS
(In Thousands of Dollars)

	Years Ending September 30				
	2020	2021	2022	2023	2024
Cash flows from operating activities:					
Changes in net assets	(\$ 112)	\$ 258	\$ 2,373	\$ 2,436	\$ 3,484
Adjustments to reconcile changes in net assets to net cash provided by operating activities:					
Entrance fees received	4,238	4,238	32,133	4,238	4,238
Amortization of entrance fees	(2,227)	(2,595)	(6,432)	(6,930)	(7,501)
Depreciation	2,929	2,981	3,857	4,705	4,733
Amortization of deferred costs	30	30	30	30	28
Amortization of bond premium	(258)	(256)	(254)	(252)	(206)
Change in value of interest rate swap agreement	(144)	-	-	-	-
Changes in working capital:					
Decrease in:					
Trade and other receivables	(23)	(24)	(25)	(25)	(25)
Other assets	(7)	(8)	(8)	(8)	(7)
Total adjustments	4,538	4,366	29,301	1,758	1,260
Net cash provided by operating activities	4,426	4,624	31,674	4,194	4,744
Cash flows from investing activities					
Purchase of property and equipment	(35,500)	(35,500)	(2,000)	(2,000)	(2,000)
Net proceeds (purchases) of investments	(45,121)	31,636	(28,729)	(1,219)	24,956
Net cash provided by (used for) investing activities	(80,621)	(3,864)	(30,729)	(3,219)	22,956
Cash flows from financing activities:					
Principal payments on long-term debt	(27,969)	(460)	(645)	(675)	(27,400)
Proceeds from long-term borrowings	104,320	-	-	-	-
Refunds of refundable fees	(300)	(300)	(300)	(300)	(300)
Net cash provided by (used for) financing activities	76,051	(760)	(945)	(975)	(27,700)
Net decrease in cash and cash equivalents	(144)	-	-	-	-
Cash and cash equivalents - beginning	1,144	1,000	1,000	1,000	1,000
Cash and cash equivalents - ending	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Supplemental disclosure of cash flow information:					
Cash payments for interest	\$ 1,550	\$ 1,748	\$ 3,340	\$ 4,750	\$ 4,427

See accompanying summary of significant forecast assumptions
and independent accountants' compilation report

FRIENDS HOMES, INC.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS **As of and for the Years Ending September 30, 2020, 2021, 2022, 2023, and 2024**

This financial forecast presents, to the best of management's knowledge and belief, the financial position, results of operations, and cash flows for the forecast period. The forecast reflects management's judgment as of January 14, 2020, the date of the forecast. The preparation of prospective financial information requires management to make assumptions about the future. Those assumptions considered by management to be significant to the forecast are presented below. 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.

Statutory Requirements:

North Carolina General Statutes Chapter 58, Article 64 requires Friends Homes, Inc. (the Organization) to maintain an operating reserve equal to 25% of the total operating costs projected for the twelve-month operating period of the first year of the financial forecast. The operating reserve of 25% assumes an occupancy level of 90%. The forecast assumes an occupancy rate exceeding 90% occupancy in the forecast period. Years 2021 through 2024 were developed using management's understanding of markets and circumstances as of the forecast date.

Facility Changes:

Management is currently planning for a renovation and expansion to its Guilford and West campuses. Presales have begun at Guilford for their planned 20 independent living expansion. The West campus expansion and renovation consists of the construction of 73 independent living units, a renovation to the main dining room and current wellness center as well as the addition of a bistro dining area. Presales for the West campus are projected for February 2020. Financing for the Guilford expansion was completed in October 2019 and the financing for the West renovation and expansion is planned for Summer 2020. The funds borrowed in October included \$12,000,000 for the Guilford expansion and it is projected that the West expansion and renovation will require financing of \$55,000,000. It is anticipated that construction on the Guilford campus will begin in the Spring of 2020 and the West campus in the Summer of 2020. It is anticipated that residents will begin to move-in during April 2022. The current financial projections include the revenue and costs associated with the planned expansion. The projected entry fees for the expansion range from \$259,000 to \$372,000 with monthly fees ranging from \$3,551 to \$4,262 per month.

Resident Mix:

Resident mix is adjusted for the expansion and is assumed to be constant for revenue forecasting after the expansion fill-up.

Inflation Rate Assumptions:

- Residential Service Fee revenues are expected to increase 3.0% annually.
- Nursing revenues reflect a 3.5% increase annually, with an additional adjustment for an increase in occupancy.
- Expenses are expected to increase at approximately 2.0% and salary and wages to increase at approximately 3.0%.

FRIENDS HOMES, INC.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS

Revenues:

Entrance Fees

Deferred revenue historically results from the receipt of entrance fees which are realized through straight-line amortization into income over the resident's life expectancy adjusted annually.

Through December 2017, contracts were for each level of care, and entrance fees subject to refund started with 75% in the first year and declined in percent refundable through the eighth year of residency to zero.

After December 2017, all contracts applied to all levels of care and for those containing a refund provision, it will be amortized straight-line over sixty months. There is a \$4,000 nonrefundable administrative fee. Refunds under the new contracts are refundable only upon leaving Friends Homes.

Entrance fees for West and the Hobbs apartments at Guilford are expected to be:

One bedroom	\$105,000
Two bedrooms	\$145,000 - \$162,000

Entrance fees for Fox and Woolman on the Guilford Campus are non-refundable:

One bedroom	\$ 26,000 - \$ 70,000
Two bedrooms	\$ 58,000 - \$ 80,000

Service Fees

In all levels of care, Service fees are recognized as services provided on a monthly basis.

Investment Income

Investment income is assumed to remain constant over the forecast period.

Medicare and Medicaid

Medicare and Medicaid reimbursements received by Friends Homes, Inc. consist of two components:

Part A Medicare payments are an all-inclusive per diem rate and must be spent on patient related costs.

The forecast assumes that Medicaid pays a flat rate for Skilled Care with the current rate at \$151 at Guilford and \$170 at West. This Medicaid rate is not expected to increase over the forecast period. Management's forecast assumes the Medicaid beds to stay constant; however, there is the possibility that due to rising fees more residents will qualify for Medicaid in the future.

Management Fees

In May of 2016, Friends Homes, Inc. entered into a management contract with Presbyterian Management Services which was renewed for five years on December 28, 2018. The fee is calculated as a percent of Resident revenue less entrance fee amortization, multiplied by the fee rate in the table below.

October 1, 2019 to September 2020	4.70%
October 1, 2020 to September 2021	4.85%
October 1, 2021 to September 2022	5.00%
October 1, 2022 to September 2023	5.00%
October 1, 2023 to September 2024	5.00%

FRIENDS HOMES, INC.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS

Capital Expenditures:

Depreciation

Depreciation is computed using the straight-line method over estimated lives as follows:

Buildings and residences	40 to 50 Years
Furniture and fixtures	5 to 10 Years
Vehicles	3 to 5 Years
Land improvements	10 Years

Long-term Debt, Notes Payable, and Interest Expense:

Long-term Debt

On October 16, 2019, Friends Homes, Inc. entered into a loan agreement with the Public Finance Authority under which the Public Finance Authority issued fixed rate debt of \$49,320,000 Public Finance Authority Retirement Facilities Revenue Bonds (Friends Homes, Inc.), Series 2019. The bonds bear interest rates of 4% to 5% and mature September 1, 2024 to September 1, 2054.

It is forecasted that Friends Homes, Inc. will finance the expansion and renovation at its West campus with a hybrid of publicly offered bonds and a direct bank placement structure. The total projected cost is \$55,000,000. Projected entry fees from the expansion total \$22,500,000 and will be used to pay on the direct bank placement loan.

Forecasted annual interest and principal payments during the forecast period for the outstanding debt and planned financing of the West renovation and expansion are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2020	\$ 27,969,000	\$ 1,550,000	\$ 29,519,000
2021	460,000	1,748,300	2,208,300
2022	645,000	3,340,000	3,985,000
2023	675,000	4,750,000	5,425,000
2024	27,400,000	4,427,000	31,827,000

Notes Payable

Notes payable consist of demand notes paying 4% interest semi-annually payable to both current residents and nonresidents of Friends Homes, Inc. These notes are due sixty (60) days after Friends Homes, Inc. receives written notice of redemption. Friends Homes discontinued offering notes for entrance beginning in 2017. Current notes will be called as agreements requiring notes end.

**FRIENDS HOMES, INC.
RESIDENCE AND CARE AGREEMENT**

THIS RESIDENCE AND CARE AGREEMENT (“Agreement”), is made and entered into this _____ day of _____, 20____ by and between _____ residents of _____ County, State of _____, hereinafter referred to as “Resident” (if husband and wife, or two other persons enter into this Agreement, the term “Resident” shall apply to them collectively unless the context otherwise requires, and the masculine pronoun shall include the feminine or plural) and FRIENDS HOMES, INC., a North Carolina non-profit corporation, hereinafter referred to as “FHI.”

WITNESSETH:

WHEREAS, FHI owns and operates a licensed continuing care retirement community, hereinafter referred to as “Guilford Campus,” located at 925 New Garden Road, and “West Campus”, located at 6100 West Friendly Avenue, both in Greensboro, North Carolina;

WHEREAS, Resident desires to utilize the services of FHI and desires to occupy the Living Unit listed in paragraph 1(a) below at FHI (the "Living Unit," which shall also include any cottage, villa, townhome, apartment, assisted living or skilled nursing room, as may be applicable), subject to the terms and conditions of this Agreement;

WHEREAS, the Resident agrees to pay to FHI an initial entrance fee and other fees upon the terms and conditions as provided in this Agreement; and

WHEREAS, FHI is currently certified in the Medicare/Medicaid Programs, although FHI reserves the right to withdraw from one or both programs if it deems advisable in its sole discretion.

NOW, THEREFORE, Resident and FHI agree as follows:

1. ACCOMMODATIONS AND SERVICES

Subject to the terms and conditions set forth in this Agreement including FHI’s right to change such Living Unit as provided herein, FHI agrees to provide the Resident the Living Unit, services and programs as described as follows:

(a) **Living Unit.**

Campus: _____

Apartment/Cottage No.: _____

Description: _____

Resident has had an opportunity to inspect the Living Unit, and Resident accepts the Living Unit "AS IS" and in its present condition, subject only to the items attached as an addendum to this Agreement.

Initials _____

- (b) **Service Plan.** FHI provides services that Resident can pay for on a fee-for-service basis. These optional services offered by FHI may be increased or reduced at FHI's discretion, and the related fees are based on the then current published fees. Fees for such services will be included on Resident's monthly statement

FHI provides a service allowance of \$_____ per month per individual Resident. This allowance is already a part of the monthly charge set forth in paragraph 2.(b) below. If Resident exceeds the service allowance in any given month, the additional costs above the allowance will be added to Resident's next monthly statement. Resident is allowed to carry over any unused service allowance to the following month. The cumulative monthly carryover shall not exceed \$_____. The service allowance may be utilized for the following items:

- Meals in any of Friends Homes dining venues, excluding items offered through Friends Homes convenience store
- Additional housekeeping services beyond 1.(e) below
- Medical transportation services
- Utilization of FHI's guest quarters for Resident's personal guests
- Personal maintenance service requests beyond the normal scope of services offered by FHI

- (c) **Utilities.** FHI will furnish reasonable heating, air conditioning, water, sewer, electricity and trash removal to all apartment and villa apartment Residents. Residents in cottages and town homes will be responsible for the cost of heating, air conditioning, water and sewer. Trash removal will be provided by FHI. The Resident is responsible for all television, telephone, and internet installation charges and all related monthly service charges (collectively "Communication Services"). If any Communication Services are provided by FHI on behalf of Resident, Resident agrees to pay FHI's standard monthly service charges applicable for such services which Resident agrees are subject to adjustment from time to time. Any Communication Services not included within FHI's standard package shall be the sole responsibility of Resident.

- (d) **Furnishings.** FHI will provide, in the Living Unit, standard flooring, emergency signal equipment and other fixtures and appliances as described in the literature published by FHI. All other furniture and furnishings for the Living Unit shall be provided by the Resident.

- (e) **Housekeeping Services.** FHI will provide housekeeping services such as vacuum cleaning, dusting and cleaning of baths and kitchens to Resident on a monthly basis. Resident may request additional services on an as needed basis. A charge will apply for these additional services.

- (f) **Laundry.** FHI will provide free access to laundry facilities within the Resident's Living Unit or within the Resident's apartment building.

- (g) **Maintenance and Repairs.** FHI will maintain and keep in repair the improvements, furnishings and equipment owned by FHI. The Resident will be responsible for the cost of repairing any damage to property of FHI caused by the negligence or other act of the Resident or any guest or invitee of the Resident, ordinary wear and tear excepted. Any structural or physical change or redecoration of any kind to the Living Unit will require the written approval of FHI.

The cost of any change, including any subsequent cost to return the Living Unit to its original condition in the event of such change, or cost of redecoration, will be paid by the Resident upon ten (10) days written notice. Any such improvement or change will be owned by FHI and will not be considered in determining the amount of any refund to the Resident upon termination of this Agreement.

- (h) **Groundskeeping.** FHI will furnish basic groundskeeping service for the grounds of its two campuses, including lawn, tree, and shrubbery care. Subject to approval by FHI, Resident may plant and maintain certain areas designated by FHI for such purpose.
- (i) **Parking.** FHI will provide parking areas for Resident's personal vehicle (limited to one vehicle for each individual Resident) and parking for guests.
- (j) **Common Facilities.** FHI will provide common facilities for the use and benefit of all Residents such as a dining room, living room, post office, multi-purpose room, lounges, and sitting areas.
- (k) **Transportation.** FHI will provide limited local transportation for residents on a regular, scheduled basis. Certain charges may apply, depending upon the destination or other circumstances. Additional charges may be made for transportation for special, personal, or group trips.
- (l) **Activities.** Subject to medical or other restrictions, Resident may participate in social, recreational, spiritual, educational, and cultural activities which are planned and offered by FHI for its residents generally.
- (m) **Nursing and Health Care.** FHI will provide nursing and health care for each Resident as follows:
- (i) A Health Center will be provided for the benefit of FHI residents. The Health Center will consist of accommodations, equipment, and staffing necessary for assisted living and skilled nursing care. FHI will use its best efforts to provide private accommodations when the Resident requires assisted living care. Depending on availability, private or semi-private accommodations will be provided when Resident requires skilled nursing care. Notwithstanding the foregoing, FHI reserves the right from time to time to temporarily place Resident in reasonably comparable healthcare facilities outside of FHI in the event either assisted living or skilled nursing accommodations are not currently available due to demand.

- (ii) A twenty-four (24) hour nursing staff will be maintained in the Health Center. The Health Center is staffed to provide general duty nursing care, which means that nurses and other staff must attend to multiple residents with various needs. The nursing care is not intended to provide exclusive individual attention to any one specific resident on a regular basis or for prolonged periods of time. Resident, subject to approval of FHI, is responsible for acquiring (hiring, termination, and compensation) the assistance of private duty sitters or nurses if the Resident requires or prefers individual and/or full-time care and assistance. Private duty sitters, nurses, or other third parties hired by Resident must abide by all rules and regulations of FHI and FHI reserves the right to bar any such parties from FHI's facilities at any time.
- (iii) The overall coordination and provision of health care services by FHI will be provided by a Medical Director who will be a licensed physician selected by FHI.
- (iv) Charges for Health Care accommodations and services in this Paragraph shall be set forth in Paragraph 2(e) of this Agreement. Other health care services will be made available to the Resident at the Resident's expense including, but not limited to, pharmacy services, laboratory tests, physical therapy, occupational therapy, speech therapy and rehabilitative treatments.
- (v) FHI has open staff privileges and a Resident may select a duly licensed physician of his choice; however, a Medical Director is provided by the community for those wishing to use such services. Resident is responsible for all charges for services provided by the Medical Director or any other physicians.
- (vi) Resident has the right by law (N.C. Gen. Stat. § 90-21.16(6)) to elect the officially recognized "Do Not Resuscitate Order" as certified by the Resident's attending physician.

2. FINANCIAL ARRANGEMENTS

- (a) **Entrance Fee Options.** Resident agrees to pay FHI an Entrance Fee as a condition of becoming a Resident at FHI. Resident shall choose one of the following options, amounts, and amortization schedules as to the Entrance Fee to be paid:

Entrance Fee Option	Amount of Entrance Fee	Amortization Schedule
1. Standard	\$ _____	1.6% per month for 60 months less a 4% non-refundable fee
2. Woolman / Fox	\$ _____	Nonrefundable

Resident agrees to pay FHI an Entrance Fee deposit of \$ _____ which shall be ten percent (10%) of the required Entrance Fee as designated above. The Entrance Fee deposit is due and payable upon signing of this Agreement. Except as provided below, the balance of the Entrance Fee of \$ _____ is due and payable on the date of occupancy, but in no event later than ninety (90) days after your execution of this Agreement.

If Resident is prevented from occupying the Living Unit within ninety (90) days after execution of this agreement, due to reasons beyond his control, an additional deposit of \$ _____ representing 15% of the required Entrance Fee shall be paid. Resident further understands that FHI reserves exclusive rights in determining the legitimacy of Resident's request for an extension and that, in any event, the Living Unit must be occupied within one hundred eighty (180) days of the date of this Agreement. Furthermore, Resident understands that after the first 90-day period and prior to occupancy during the second 90-day period, FHI will charge and Resident will pay the Monthly Charge for the Living Unit, less a monthly meal credit determined by FHI.

If Resident elects not to occupy the apartment within ninety (90) days, or one hundred eighty (180) days in the event an additional deposit is made, Resident shall be relieved of the obligation to pay the balance of the Entrance Fee. FHI shall receive 50% of the deposited funds, and the remainder shall be refunded to Resident. If each Resident is prevented from occupying the apartment by reason of death or disability, Resident shall be relieved of the obligation to pay the balance of the Entrance Fee, and the deposited funds shall be refunded in full.

- (b) **Monthly Charge.** During the term of this Agreement, in addition to the Entrance Fee and any other charges provided for herein, Resident agrees to pay a monthly charge ("Monthly Charge"), which shall be payable in advance by the 10th day of each month. As of the date of this Agreement, FHI projects that the Monthly Charge associated with the Living Unit will be approximately \$ _____ per month, and an additional \$ _____ per month if a second Resident occupies the Living Unit. The Monthly Charge may be adjusted by FHI prior to occupancy of the Living Unit by the Resident if changes in the projected costs of providing the services at FHI so require. The Monthly Charge is also subject to change during the term of this Agreement as described in Paragraph 2(c) below.
- (c) **Adjustments in the Monthly Charge.** The Monthly Charge is assessed to provide the Living Units, facilities, meals, programs and services described in this Agreement and is intended to meet the cost of insurance, maintenance, administration, *ad valorem* taxes and bed taxes, if any, health care facilities and operation, staffing, and other expenses including debt service associated with the operation and management of FHI. FHI shall have the right to adjust the Monthly Charge from time to time during the term of this Agreement as FHI in its discretion deems necessary in order to reflect changes in the costs of providing the facilities, programs and services described herein consistent with operating on a sound financial basis and maintaining the quality of services called for

herein. FHI shall have the right to adjust the Monthly Charge pursuant to this Agreement notwithstanding Resident's voluntary or involuntary absence from the community. In the event that it should be determined that FHI is required to pay ad valorem taxes upon its property, the Monthly Charge may be adjusted to reflect the amount of such taxes. Any increase in the Monthly Charge may be made by FHI upon thirty (30) days written notice to the Resident.

- (d) **Monthly Statement.** FHI will furnish the Resident with a monthly statement on or about the fifth business day of each month showing the total amount of fees and other charges owed by the Resident, and which shall be paid by the 10th day of the month. FHI may charge interest at the rate of 1½% per month (18 % APR) or the maximum annual rate as allowed by law on any unpaid balance owed by the Resident thirty (30) days after the monthly statement is furnished.

(e) **Health Center Fees and Charges**

- (i) FHI shall establish and publish per diem rates for accommodations and services in the Health Center, such rates will take into account rates being charged in other comparable nursing centers and the costs of operation of FHI.
- (ii) If a Resident is transferred to the Health Center for assisted living or nursing care, Resident shall continue to pay the Monthly Charge associated with the type of Living Unit described in Paragraph 1(a) of this Agreement. In addition, Resident will pay the published per diem rate for assisted living or nursing care accommodation occupied by the Resident, plus charges for other services not included in such per diem rate. Resident shall have the option of surrendering the Living Unit described in Paragraph 1(a), in which case the Monthly Charge terminates once the Living Unit is vacated of the Resident's possessions.

If the Living Unit is not surrendered, the Resident shall be responsible for both the Living Unit Monthly Charge and the applicable per diem rate for the assisted living or nursing care accommodations. The Resident shall have no right to occupy the Living Unit more than ninety (90) days after admission into the health center without the approval of FHI. Resident agrees to surrender the Living Unit to FHI upon request on or after such ninety (90) day period unless otherwise approved by FHI. If required to vacate the Living Unit, as determined in the sole discretion of FHI, Resident agrees to fully cooperate in relocating his/her personal property and effects from such residence. Should FHI subsequently determine upon the opinion of the Medical Director and the Executive Director of FHI that Resident can resume occupancy in a residential Living Unit; the Resident will have priority to a comparable accommodation, as determined by FHI, as soon as it becomes available. When one of two Residents occupying the same Living Unit is transferred to the Health Center, the Resident remaining in the Living Unit shall continue to pay the Monthly Charge in effect associated with such Living Unit based on single occupancy.

- (f) **Non-Refundable Pet Fee.** Resident agrees to abide by Friends Homes guidelines concerning pets as amended or adopted from time to time. Resident agrees that if Resident is entitled to have a pet in their Living Accommodation and elects to do so, Resident agrees to pay FHI a \$500.00 non-refundable pet fee (“Pet Fee”). The Pet Fee shall be due and payable at the time Resident is required to pay the balance of their Entrance Fee. FHI may require the Resident to maintain a policy of liability insurance which covers Resident's liability for damages or injury caused by Resident's pet.

3. **ADMISSIONS REQUIREMENTS**

Resident will become qualified for admission to FHI upon satisfaction of the following provisions:

- (a) **Age.** The admission requirements for residence at FHI are nondiscriminatory except as to age, and FHI is open to both married and single men and women of all races and religions and without regard to place of former residence. Admission is restricted to persons sixty-two (62) years of age or older, except that in the case of a married couple or roommates, one spouse/roommate must have attained the age of at least sixty-two (62) years old and the other spouse/roommate must have attained the age of at least fifty-five (55) years old.
- (b) **Personal Interview.** Resident agrees to interview with representatives of FHI prior to consideration for residency at FHI. Upon review of all information required to be furnished under this Agreement, additional personal interviews may be requested by FHI and Resident agrees to fully cooperate with FHI’s representatives and employees during such process.
- (c) **Application, Health History, and Financial Statement.** Resident shall submit within 30 days of the execution of this Agreement for review by the Admissions Committee appointed by FHI, an Application for Admission, a Personal Health History, and a Confidential Financial Statement, all on forms furnished by FHI. During the term of this Agreement, FHI reserves the right to require Resident and Resident agrees to provide FHI with an updated Confidential Financial Statement within 60 days upon written request, provided however, FHI will not require Resident to provide an updated Confidential Financial Statement more than once in any 12 month period.
- (d) **Notification.** FHI shall review the Application for Admission, the Personal Health History, the Confidential Financial Statement, and the results of the personal interviews and will notify Resident whether Resident meets the admission requirements as determined in FHI’s sole discretion. If Resident does not meet FHI’s admissions requirements, this Agreement shall be null and void and Resident shall receive a refund of any Entrance Fee deposit previously paid.

- (e) **Health Requirements.** Prior to admission for residency at FHI, Resident shall submit a report of a physical examination of the Resident made by a physician selected by the Resident within sixty (60) days of the projected occupancy date. Such report shall include a statement by such physician that the Resident is in good health and is able to take care of himself or herself in normal living activities. FHI may require the Resident to have another physical examination by the Medical Director or by another physician approved by FHI. The Resident shall be responsible for the costs of such additional physical examination. If the health of Resident as disclosed by such physical examination differs materially from that disclosed in any Resident's Application for Admission or Personal Health History, FHI shall have the right to decline admission of the Resident and/or to terminate this Agreement, or at the discretion of FHI, permit Resident to take occupancy at FHI in suitable accommodations to the needs of Resident.
- (f) **Financial Requirements.** The Resident must have assets and income which will be sufficient under foreseeable circumstances to pay the financial obligations of the Resident under this Agreement and to meet ordinary living expenses of the Resident. FHI may require the Resident to furnish current financial information at any time prior to occupancy.
- (g) **Representations.** The Resident affirms that the representations made in the Application for Admission, Personal Health History and Confidential Financial Statement are true, correct, and complete and will be relied upon by FHI as a basis for entering into this Agreement.

4. **TERMS OF RESIDENCY**

- (a) **Rights of Resident.** The Resident has the right to occupy and enjoy the Living Unit described in Paragraph 1(a) of this Agreement subject to Resident's transfer to the Health Center pursuant to Paragraphs 2(e) and 5(a), or the termination provisions of this Agreement, or any other term or condition of this Agreement. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by FHI other than the right to use or occupy the Living Unit in accordance with the terms hereof. The Resident agrees that the rights of the Resident under this Agreement are subject to and subordinate to the rights of a lender under any mortgage or deed of trust now or hereafter executed by FHI or its affiliates creating a lien on any property of FHI.
- (b) **Rules and Regulations.** Resident acknowledges the receipt of a copy of the Resident's Handbook. The Resident will abide by FHI's rules and regulations and such reasonable amendments, modifications, and changes of the rules and regulations as may hereafter be adopted by FHI in the exercise of its sole discretion. In the event of changes or amendments to the rules and regulations, receipt of such changes or amendments by any one of the persons listed as Resident in this Agreement shall be deemed receipt by the other listed Resident. Resident acknowledges that FHI has a "Tobacco Free Campus Policy" which prohibits the use of tobacco products anywhere on FHI's campuses including Resident's Living Unit.

- (c) **Changes in Living Units.** FHI has the right to change the Living Unit to meet the requirements of any applicable statutes, laws, rules or regulations. The Living Unit may not be used in any manner in violation of any zoning ordinances or other governmental law or regulation.
- (d) **Visitors.** Except for short term visitors or guests, no person other than the Resident may reside in the Living Unit without the written approval of FHI.
- (e) **Loss of Property.** FHI shall not be responsible for the loss of any property belonging to the Resident due to theft, mysterious disappearance, fire or any other cause. It is understood that the Resident will have the responsibility of providing any desired insurance protection covering any such loss.
- (f) **Occupancy by Two Residents.** In the event that two Residents occupy a Living Unit under the terms of this Agreement, upon the permanent transfer to the Health Center or the death of one such Resident, or in the event of the termination of this Agreement with respect to one of such Resident, the Agreement shall continue in effect as to the remaining or surviving Resident. The remaining Resident may request a transfer to another type of Living Unit, subject to availability, pursuant to Paragraph 5(e) of this Agreement. The remaining or surviving Resident will thereafter pay the Monthly Charge for one Resident associated with the independent Living Unit occupied by the Resident.
- (g) **Medical Insurance.** The Resident shall maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to FHI with evidence of such coverage to be provided to FHI upon execution of this Agreement and thereafter from time to time upon request.
- (h) **Marriage During Occupancy.** If a Resident while occupying a Living Unit marries another Resident or elects to share a Living Unit with a person who is also a Resident, the two Residents may occupy the Living Unit of either Resident and shall surrender the Living Unit not to be occupied by them. No refund will be payable with respect to the Living Unit surrendered. Such Residents will pay the Monthly Charge for double occupancy associated with the Living Unit occupied by them. In the event that a Resident shall marry or elect to share a Living Unit with a person who is not a Resident of FHI, the non-resident spouse/cohabitant may become a Resident if such spouse/cohabitant meets all of the then current requirements for admission to FHI, enters into a then current version of the Residence and Care Agreement with FHI and pays an Entrance Fee in an amount determined by FHI in its discretion but in any event no more than two-thirds (2/3) of the then current Entrance Fee associated with the type of Living Unit to be occupied by the Resident and non-resident spouse/cohabitant. If the Resident's spouse/cohabitant shall not meet the requirements of FHI for admission as a Resident, the current Resident may terminate this Agreement pursuant to Paragraph 7.

- (i) **Right of Entry.** Resident hereby authorizes FHI, including its employees and agents of FHI, to enter the Living Unit for purposes of housekeeping, repairs, maintenance, inspection, and in the event of an emergency.

5. **TRANSFER OR CHANGES IN LEVELS OF CARE**

- (a) **Transfer to Health Center.** The Resident agrees that FHI shall have the authority to determine whether the Resident should be transferred from the Resident's Living Unit to the Health Center or from one level of care to another level of care within the Health Center. Such determination shall be based on the professional opinion of FHI's Medical Director and the Executive Director of FHI and shall be made only after consultation to the extent practical with the Resident, a representative of the Resident's family or the sponsor of the Resident, and Resident's attending physician.
- (b) **Transfer to Hospital or Other Facility.** If it is determined that the Resident needs care beyond that which can be provided by the community and personnel of FHI, the Resident may be transferred to a hospital, center or institution equipped to give such care, which care will be at the expense of the Resident. Such transfer of the Resident will be made upon orders from FHI's Medical Director after consultation to the extent possible with the Resident, a representative of the Resident's family or the sponsor of the Resident and the Resident's attending physician.
- (c) **Surrender of Living Unit.** If a determination is made by FHI that any transfer described in Paragraph 5(a) or 5(b) is permanent, the Resident agrees to surrender the Living Unit or the accommodation in the Health Center occupied by the Resident upon thirty (30) days prior written notice from FHI to Resident. If FHI subsequently determines upon the opinion of the Medical Director and the Executive Director that the Resident can resume occupancy in accommodations comparable to those occupied by the Resident prior to such transfer, the Resident shall have priority to such accommodations as soon as they become available.
- (d) **No Refund for Changes in Levels of Care.** Resident acknowledges and agrees that any transfer from one level of care to another within FHI (including without limitation a transfer from Resident's current Living Unit to assisted or skilled nursing) shall not be deemed a termination of this Agreement nor entitle Resident to a refund or partial refund of their Entrance Fee.
- (e) **Requests for Moves Within Independent Living.** FHI will evaluate and consider a Resident's request to move from one Living Unit to another within Independent Living. The determination to allow a Resident to move is within the sole discretion of FHI and will be administered under the guidelines of FHI's transfer policy in effect at the time of the Resident's request to move.

6. RIGHT OF RESCISSION

- (a) **First Thirty Days**. Notwithstanding anything herein to the contrary, Resident may rescind this Agreement within thirty (30) days following the execution of this Agreement (the “Rescission Period”), in which event Resident shall receive a refund of any money paid to FHI except for any such other nonstandard charges the Resident and FHI agree in advance shall be nonrefundable. Resident acknowledges that he/she has received, prior to execution of this Agreement, a copy of FHI’s current Disclosure Statement that meets the requirements of Section 58-64-20, et seq. of the North Carolina General Statutes. Resident is not required to move into the Living Unit before the expiration of the Rescission Period. If Resident moves into the Living Unit during the Rescission Period and rescinds this Agreement during such thirty (30) day period, Resident will receive a refund of any money paid to FHI less a service charge as follows:
- (i) **Entrance Fee**. Resident shall receive a refund of the Entrance Fee paid to FHI less a service charge as determined by FHI not to exceed the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee.
 - (ii) **Monthly Charge**. Resident’s refund shall be further reduced by the prorated Monthly Charge applicable for the period Resident occupied his/her Living Unit.
 - (iii) **Nonstandard Costs**. Resident’s refund shall be further reduced by any nonstandard costs, if any, specifically incurred by FHI at the request of Resident consistent with terms and conditions of this Agreement.

Any refund due under this paragraph 6(a), shall be paid within sixty (60) days of termination of this agreement.

7. TERMINATION AND REFUND PROVISIONS

- (a) **Termination After Rescission Period, Prior to Occupancy**. This Agreement may be terminated by Resident at any time for any reason prior to Resident taking occupancy at FHI and after the Rescission Period as set forth in Paragraph 6 by Resident giving written notice to FHI. This Agreement may be terminated by FHI at any time prior to the date that the Resident takes occupancy if FHI determines that the Resident does not meet the physical, mental, or financial requirements for admission. In the event of such termination, Resident shall receive a refund of the Entrance Fee paid less an administrative fee of 4% of the total Entrance Fee. However, if the Resident or the Resident’s spouse or roommate dies prior to occupancy, or if on account of illness, injury, incapacity, or financial reversal is precluded from occupying the Living Unit, the contract is automatically terminated. In the event of such termination the full amount of the Entrance Fee paid will be refunded. Any refund due under this paragraph 7(a), shall be paid within sixty (60) days of termination of this Agreement.

- (b) **Termination During Residency Trial Period.** The first sixty (60) days of residency at FHI will be considered to be on a trial basis. During such sixty (60) day period, the Resident will have the right to terminate this Agreement by giving FHI written notice of such termination and Resident shall receive a refund of the Entrance Fee paid less an administrative fee of 4% of the total Entrance Fee. During such sixty (60) day period, FHI shall have the right to terminate this Agreement based on FHI's determination that Resident's physical or mental condition or emotional adjustment will not permit adaptation to the living environment at FHI. In the event of such termination by FHI as previously described, FHI will refund the full Entrance Fee paid to FHI within sixty (60) days after the Living Unit has been vacated.
- (c) **Termination After Trial Period.** At any time after the expiration of the first sixty (60) days of residence at FHI, the Resident may terminate the Agreement by giving FHI thirty (30) days prior written notice of such termination. In the event of such termination, Residents electing the Standard Entrance Fee Option may be entitled to receive a partial refund.

Any partial refund shall be determined and paid as follows: Resident shall receive a refund in an amount equal to the Entrance Fee paid to FHI less the applicable Amortization percentage set forth in Paragraph 2(a) for the Standard Entrance Fee Option selected by Resident thereof for each full calendar month or portion thereof which has elapsed from Resident's Admission Date to the effective date of termination and less four percent (4%) of the total Entrance Fee, which is the nonrefundable portion of the Entrance Fee. For avoidance of doubt, all Entrance Fee refunds are calculated assuming and based upon full calendar months. Any portion of a calendar month (whether relating to the month of Resident's Admission Date or the month of Resident's termination date of this Agreement) shall be deemed to be a full calendar month for purposes of calculating any Entrance Fee refund.

Residents electing Woolman/Fox Entrance Fee Option are not entitled to an Entrance Fee refund under this section.

The refund shall be made in accordance with the terms set forth in Paragraph 7(f) below.

- (d) **Termination Upon Death.** This Agreement shall automatically terminate upon the death of the Resident, provided, however, in the event that two Residents occupy a Living Unit under the terms of this Agreement, the Agreement shall continue in effect as to the remaining or surviving Resident. A refund, if applicable, shall be determined in accordance with Paragraph 7(c) above and shall be paid to the Estate of the Resident in accordance with Paragraph 7(f) below.
- (e) **Termination By FHI.** FHI may terminate this Agreement at any time if there has been a material misrepresentation or omission made by the Resident in the Resident's Application for Admission, Personal Health History or Confidential Financial

Statement; if a material change in the Resident's health takes place before occupancy (Admission Date); if the Resident fails to make payment to FHI of any fees or charges due FHI within sixty (60) days of the date when due; if the Resident does not abide by the rules and regulations adopted by FHI as determined by FHI; or Resident breaches any of the terms and conditions of this Agreement. In the event of termination for any of such causes the Resident may be entitled to a partial refund of the Entrance Fee paid by the Resident determined in accordance and paid in the same manner as provided in Paragraph 7(c) above.

- (f) **Refund After Living Unit Reserved.** Any refund due the Resident under Paragraphs 7(c), 7(d), or 7(e) above will be made at such time as such Resident's Living Unit shall have been reserved by a prospective Resident and such prospective Resident shall have paid to FHI such prospective Resident's Entrance Fee. No interest shall be due or payable on any amount refunded pursuant to this Paragraph 7.
- (g) **Monthly Charge & Nonstandard Costs.** Resident's refund under Paragraphs 7(a) through 7(e) shall be reduced and offset by the amount of all unpaid Monthly Charges and other amounts due and owing FHI applicable for the period Resident occupied his/her Living Unit. Resident's refund shall also be reduced by any nonstandard costs, if any, specifically incurred by FHI at the request of Resident consistent with terms and conditions of this Agreement. Notwithstanding the termination of this Agreement, Resident (including a deceased Resident) shall be deemed to occupy his Living Unit so long as Resident's possessions remain in his Living Unit and Resident's Monthly Charge shall continue to accrue as normal. Resident's family or sponsor shall remove Resident's possessions from the Living Unit within sixty (60) days of the date of Resident's death.
- (h) **Condition of Accommodation.** At the effective date of termination of this Agreement, the Resident shall vacate the Living Unit and shall leave it in good condition, normal wear and tear excepted. The Resident shall be liable to FHI for any cost incurred in restoring the Living Unit to good condition, except for normal wear and tear, and such cost may at the election of FHI be offset against any refund due, if any.
- (i) **Additions and/or Renovations to Community; Community Closing.** From time to time, FHI may require additions and/or renovations to the FHI community. FHI will use reasonable efforts to minimize the disturbance to its residents, provided however, Resident agrees to cooperate with FHI in such efforts and if necessary relocate to substantially comparable Living Units under the terms and conditions of this Agreement. In addition, if it shall become necessary to close or otherwise cease ordinary operations at the FHI community, as determined in the sole discretion of FHI's Board of Trustees, Resident agrees to allow FHI to relocate Resident to substantially comparable communities managed by FHI within the same general locality and Resident agrees that this Agreement shall remain in full force and effect with respect to such continuing care retirement facility. Resident agrees that any transfer of residency under this paragraph 7(i) shall not cause a termination of this Agreement nor entitle Resident to a full or partial refund of their Entrance Fee.

8. FINANCIAL ASSISTANCE

- (a) **Policy.** FHI declares that it is the current policy, but not a guarantee, of FHI that this Agreement will not be terminated solely because of the Resident's financial inability to continue to pay the Monthly Charge or other charges payable hereunder by reasons of circumstances beyond the Resident's control, provided, however, this declaration shall not be construed as qualifying the right of FHI to terminate this Agreement in accordance with the terms hereof. In the event that a Resident presents facts which in the sole opinion of FHI justify special financial consideration, FHI will give careful consideration to subsidizing in whole or in part the Monthly Charge and other charges payable by the Resident hereunder so long as such subsidy can be made without impairing the ability of FHI to attain its objectives while operating on a sound financial basis. Any grant of financial assistance shall be within the sole discretion of FHI as set forth under a separate written agreement between FHI and the Resident regarding such financial assistance. If FHI requests, Resident agrees to apply for Medicaid, public assistance, or any other reasonably available public benefit program to offset Resident's Monthly Charge or other charges payable hereunder.
- (b) **Endowment.** FHI has an endowment fund, the income of which will be used to assist Residents who would otherwise not be able to live at FHI because of financial considerations. The income from such fund may be used for the purposes of providing financial assistance in accordance with the provisions of this section.

9. MISCELLANEOUS PROVISIONS

- (a) **Will, Durable Power of Attorney.** Resident is responsible for having made and executed a valid will providing for the distribution of his/her assets and personal effects, such will or other document of instruction shall include adequate provisions regarding proper burial or cremation. Resident shall notify the Executive Director of FHI as to the name, address, and telephone number of his/her personal representative. Resident further agrees to execute a valid continuing durable Power-of-Attorney and a health care Power-of-Attorney. Resident shall notify the Executive Director as to the name, address, and telephone number of such designated Attorney(s)-in-Fact.
- (b) **Long Term Care Insurance.** If Resident elects to purchase Long Term Care insurance through an insurance company recommended by FHI or for which FHI has acted as agent or broker, either directly or indirectly, Resident understands that FHI is not a party to such insurance contract, and that FHI had not and does not guarantee the performance or obligation of the insurer under any such policy of Long Term Care.
- (c) **Assignment.** The rights and privileges of the Resident under this Agreement to the facilities, services and programs of FHI are personal to the Resident and may not be transferred or assigned by the Resident or otherwise. FHI reserves the right to transfer or assign this Agreement without the consent of Resident. Except as set forth herein,

this Agreement shall bind and inure to the benefit of the successors and assigns of FHI and the heirs, executors, personal representatives, any Attorney-In-Fact, and administrators of the Resident.

- (d) **Management of FHI.** The absolute rights of management of FHI are reserved by FHI, its Board of Trustees and its administrators as delegated by said Board of Trustees. FHI reserves the right to accept or reject any person for residency. Residents do not have the right to determine admissions or terms of admission of any other Resident.
- (e) **Entire Agreement.** This Agreement constitutes the ENTIRE AGREEMENT between FHI and Resident relating to the subject matter hereof and supersedes all prior negotiations and agreements relative thereto. This Agreement may not be modified or amended except in writing signed by each of the parties. FHI shall not be liable or bound in any manner by any statements, representations or promises made by any person representing or assuming to represent FHI, unless such statements, representations or promises are set forth in this Agreement.
- (f) **Waiver.** Any provision herein may be waived only in writing signed by the party or parties against whom or which enforcement of such waiver is sought. The failure of either party at any time to require the performance by the other party of any provision shall in no way affect the full right to require such performance at any time thereafter, nor shall the waiver by either party of a breach of any provision be taken or held to be a waiver of any succeeding breach of such provision or a waiver of the provision itself or a waiver of any other provision of this Agreement.
- (g) **Guardianship.** If Resident becomes legally incompetent, or is unable to properly care for himself or herself or his or her property, and if the Resident has made no other designation of a person or legal entity to serve as his or her guardian or attorney-in-fact, then Resident hereby agrees that FHI or its designee may initiate legal proceedings relating to Resident's competence and may act as Resident's legal guardian when qualified according to law. Resident agrees to pay to FHI and its designee any attorneys' fees and other expenses incurred in connection with any such guardianship upon demand.
- (h) **Transfer of Property.** The Resident agrees not to make any gift or other transfer of property for less than adequate consideration for the purpose of evading the Resident's obligations under this Agreement or if such gift or transfer would render such Resident unable to meet such obligations.
- (i) **Attorney's Fees, Costs of Collection.** Resident acknowledges and agrees that he/she shall be obligated to reimburse FHI for all costs associated with collection of any charges or fees due pursuant to this Agreement, including the cost of reasonable attorney's fees incurred by FHI as allowed by applicable law.
- (j) **Savings Clause.** If any provision of this Agreement in any way contravenes the laws of this state or applicable jurisdiction, such provision shall be deemed not to be a part

of this Agreement in that jurisdiction, and Resident agrees to remain bound by all remaining provisions. If any portion of this Agreement shall be deemed to be illegal or should it violate public policy, it is agreed that it shall be interpreted to be legally binding and enforceable to the maximum reasonable extent allowed by law.

- (k) **Survival.** The termination of this Agreement shall not affect the rights and remedies of FHI and the obligations of Resident under this Agreement incurred prior to such termination, all of the foregoing shall survive such termination including but not limited to all payment obligations of Resident.
- (l) **Governing Law; Venue.** This Agreement shall be governed by the laws of the State of North Carolina. Resident agrees that venue for any legal action or proceeding relating to this Agreement shall be solely in the state or federal courts sitting in Guilford County, North Carolina, and Resident hereby knowingly and voluntarily submits to the jurisdiction of each such court in any such action or proceeding.
- (m) **Notices.** Any notices, consents, or other communications to FHI or FHI (collectively “notices”) shall be in writing and addressed as follows:

Friends Homes, Inc.
Attn: Executive Director
925 New Garden Road
Greensboro, NC 27410

The address of Resident for purposes of giving notice is the address appearing after the signature of the Resident below prior to Resident taking occupancy of the Living Unit. Following occupancy, Resident’s notice address shall be the address of the Living Unit as set forth in Paragraph 1(a).

- (n) The provisions of this Agreement are subject to changes in state of federal law applicable to FHI and Resident, and the parties agree that FHI may amend this Agreement to make it consistent with applicable laws.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year above written.

FRIENDS HOMES, INC.

By: _____
Name: _____
Title: _____

Witness

RESIDENT(S):

_____(Seal)
Print Name: _____

Witness

RESIDENT(S):

_____(Seal)
Print Name: _____

Witness

Current Address (Number and Street)

City, State, Zip Code

Telephone Number



Comprehensive Actuarial Study
As of September 30, 2018

Report Date: OCTOBER 11, 2019

YOUR ACTUARIES FOR THE LONG-TERM!

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SECTION I - EXECUTIVE SUMMARY

Continuing Care Actuaries was retained by the management of Friends Homes, to conduct a Comprehensive Actuarial Study for their community Friends Homes (“Friends Homes”) located in Greensboro, North Carolina. The purpose of the actuarial analysis was to:

- Review the resident demographic experience,
- Provide a population projection of current and prospective residents,
- Calculate Friends Homes’ cash flow projection and Actuarial Balance Sheet, and
- Conduct an Actuarial Pricing Analysis of the current residential lifecare contract.

Friends Homes is a Continuing Care Retirement Community consisting of 355 independent living units, 92 assisted living units and 109 skilled nursing beds of September, 30 2018. A planned expansion will add 93 independent living units. The basic cost of residents at Friends Homes consists of the initial Entrance Fee and Monthly Service Fee. Residents requiring permanent or temporary health care are able to transfer to the needed level of care as determined appropriate by Friends Homes medical and management staff in conjunction with residents and their physicians and family. Collectively, Monthly Service Fees and Entrance Fees are intended to cover the cost of constructing and operating the community and providing health care and other services to contract residents, as well as a portion of all other costs related to the operation of the community. Entrance Fees held by Friends Homes are subject to refund requirements.

The scope of our study consisted of: (1) an evaluation of the actual resident demographic movements observed at Friends Homes from September 1993 to September 30, 2018; (2) development of population projections based on the current demographic characteristics of the resident population and the assumptions used in the financial model for Friends Homes; (3) development of projected statements of cash flows and actuarial balance sheet; and (4) preparation of an actuarial pricing analysis. This comprehensive actuarial study and review was performed under the guidelines contained in the American Academy of Actuaries’ Actuarial Standard of Practice No. 3, “Practices Relating to Continuing Care Retirement Communities.”

In order to perform the actuarial analysis, we projected first generation residents and subsequent residents through various levels of care until move-out or death. The rates using permanent and temporary nursing transfers, deaths and withdrawals were developed Continuing Care Actuaries’ demographic database for CCRC residents. This database comprises over 500,000 CCRC residential life-years of demographic experience. The database assumptions used in this analysis reflect experience of communities similar to Friends Homes. The population projections were combined with expense and revenue assumptions to develop projected cash flows and contingent assets and liabilities. A by-product of these cash flow projections is the Actuarial Pricing Analysis that examines the financial adequacy of the fiscal year 2023 residential fee structures and the Actuarial Balance Sheet which is used as an indicator of the adequacy of historical residential fee structures as of September 30, 2022.

Section II presents the key assumptions used in this study.

Section III presents the summary of the current residential contracts including the financial requirements of residents. This section also includes a summary of the configuration of the community.

Section IV presents a summary of the open group population projection and an analysis of the historical information at Friends Homes. This section includes an analysis of the expected demographic distribution and demographic characteristics of new entrants.

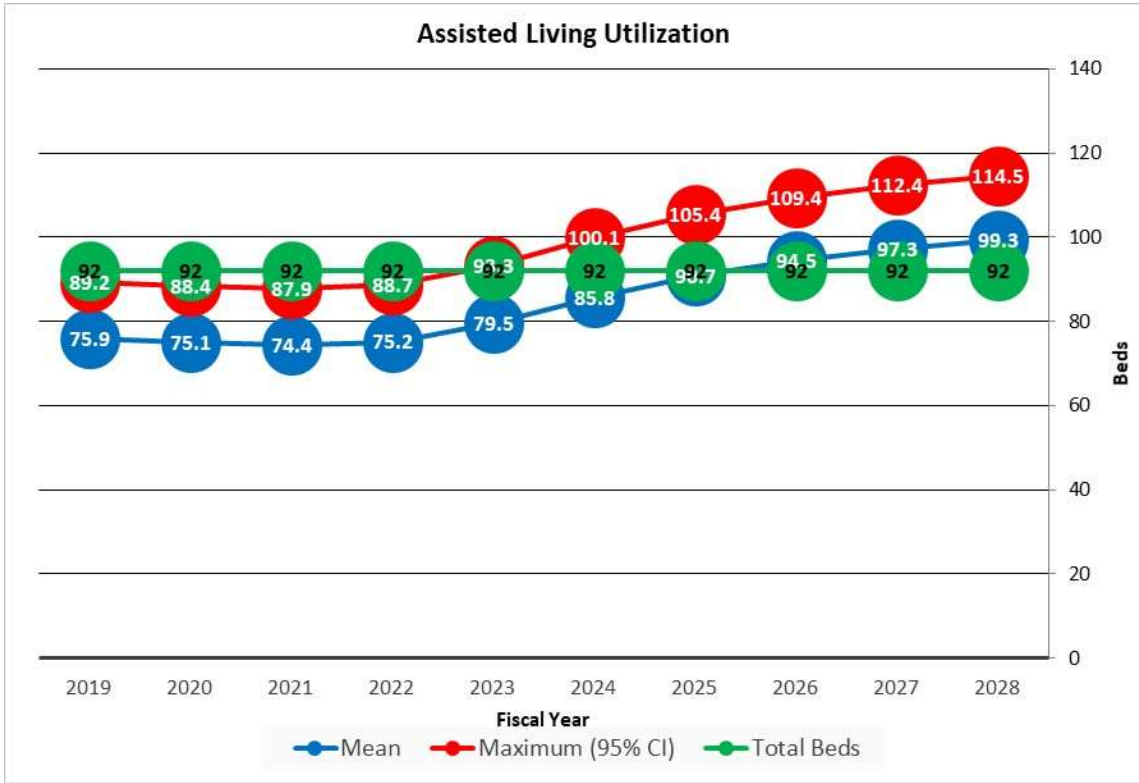
Section V presents a summary of the financial assumptions incorporated in the analysis and the cash flow projection.

Section VI presents the results of the Actuarial Balance Sheet as of September 30, 2022, the Actuarial Pricing Analysis of the residential contracts, and the Cash Flow statements.

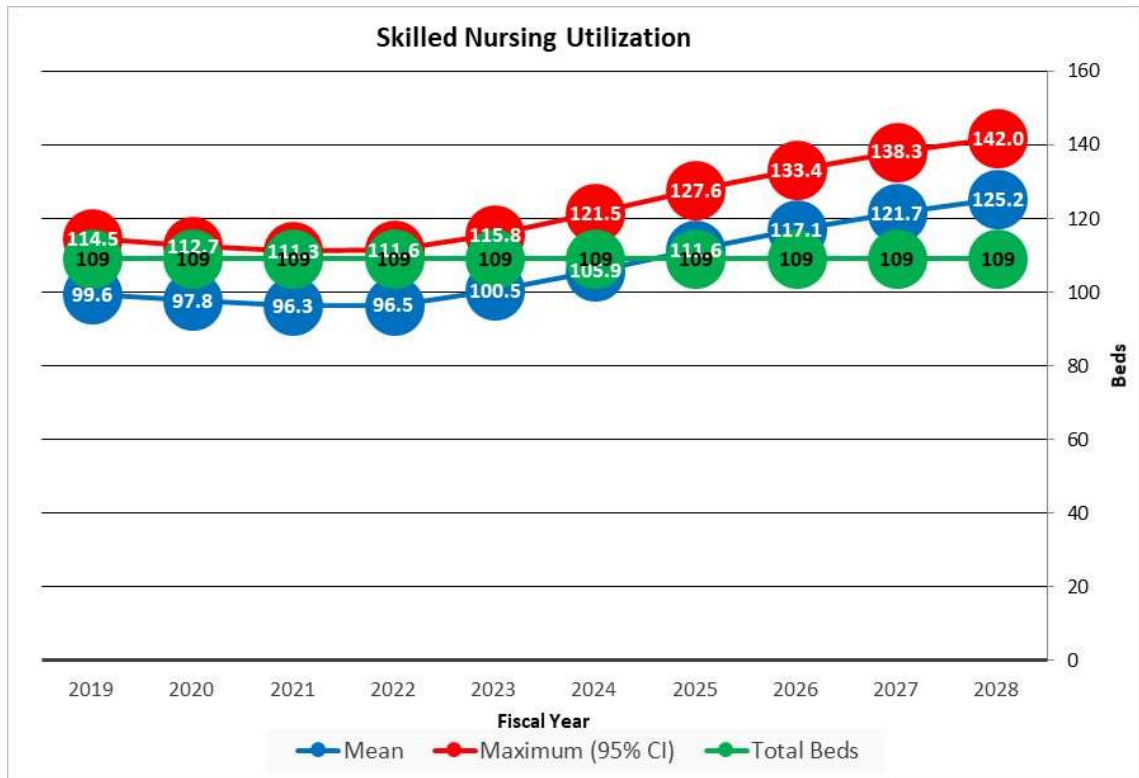
Summary of Findings and Notes

- 1) The data and assumptions used for the population and financial projections in this report form a reasonable basis for the projections. The methods used to produce the projections are consistent with sound actuarial principles and practices as prescribed by the Society of Actuaries and the American Academy of Actuaries.

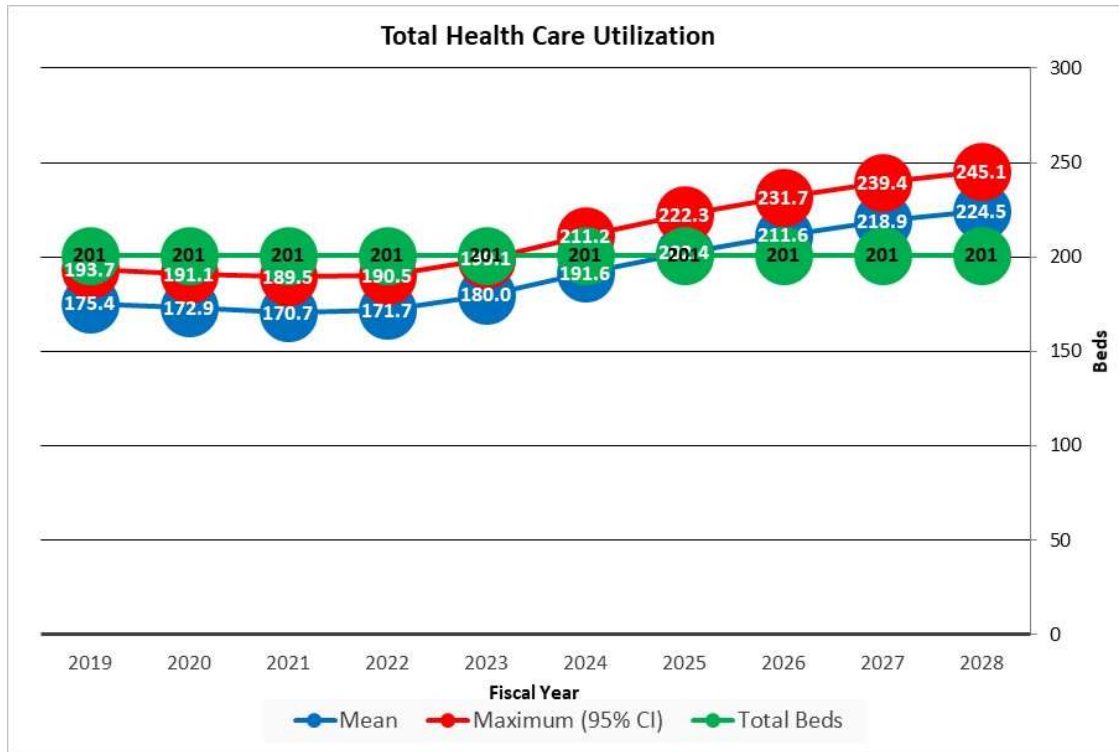
- 2) Below is the projected occupancy of the Assisted Living Units, by Life Care residents, with the 95% confidence interval.



- 3) Below is the projected occupancy of the Skilled Nursing Beds with the 95% confidence interval.



- 4) The projected occupancy of the Assisted Living Units and Skilled Nursing Beds with the 95% confidence interval is detailed below.



- 5) The financial projection indicates that Friends Homes will generate positive annual cash flow throughout the projection, with the exception of 2021 when half of the construction expense is realized; 2022 when the remaining construction occurs; and 2023, when the short term debt is repaid.
- 6) Based on the result of the Actuarial Balance Sheet as of September 30, 2022, our analysis concluded that Friends Homes has current and future assets of \$335,489,000 with current and future liabilities of \$199,378,000. Based on these projected assets and liabilities, Friends Homes’ funded status is 168.3%, which is above our recommended target of 110% for a mature community.

The actuarial ratio determines the percent of future expenses that are expected to be covered by future revenues for the expected group of residents as of September 30, 2022. This measure is important in that it represents Friends Homes’ ability to deal with adverse experience. This ratio was calculated at 98.1%. The detail of the Actuarial Balance Sheet can be seen on page 22.

- 7) The actuarial pricing analysis for the 60 Month Declining Refund indicated that this plan is expected to produce an average surplus of \$98,232 at entry for new residents as of September 30, 2022, which represents a margin of 17.9% of the present value of contractual liabilities. This is shown in detail on pages 27, 28 and 29.

Generally, it is our recommendation for a mature community to target a margin of approximately 10% in order to cover possible adverse fluctuations that may occur in the future. These adverse fluctuations can include both changes in economic assumptions,

such as expected inflation, and changes in demographic assumptions, such as nursing care utilization. In aggregate, based on new entrant contract distribution assumptions, the Actuarial Pricing Analysis for new entrants at Friends Homes is expected to cover the risk of adverse fluctuation, with a margin of 17.9%.

- 8) In conclusion, Friends Homes is in *adequate financial condition* to meet its obligations as defined by Actuarial Standard of Practice No. 3 (ASOP 3). ASOP 3 defines adequacy based on the meeting of three required actuarial standards, which consist of the actuarial cash flow, the actuarial balance sheet, and the actuarial pricing analysis.

This study assumes that management will continue to operate under the original actuarial assumptions. That is, morbidity and mortality rates have remained unchanged. In practice, it is likely that a different philosophy of care will be adopted in regard to home health services and acuity levels in higher levels of care. The results in this report serve as a conservative projection, representing the need for outside nursing due to increased demand associated with the expansion.

The results of our study are based on estimates of the demographic and economic assumptions of the most likely outcome. Considerable uncertainty and variability are inherent in such estimates. Accordingly, the subsequent emergence of actual residential movements and of actual revenues and expenses may not conform to the assumptions used in our analysis. Consequently, the subsequent development of these items may vary considerably from expected results.

Management should scrutinize future developments that may have a negative impact on these projections. These developments include lower Independent Living occupancy than assumed, higher apartment vacancy rates, higher expense inflation, higher health care utilization and longer life expectancies than assumed in the current projection.



Dave Bond, F.S.A., M.A.A.A.
Managing Partner
Continuing Care Actuaries
415 Main Street
Reisterstown, MD 21136
410-833-4220

SECTION II – KEY ASSUMPTIONS

Continuing Care Actuaries has utilized the following assumptions for Friends Homes throughout the projection:

Revenue and Expense Assumptions:

Entrance Fee Inflation	3.0% (2.0% for Expansion EF's)
Monthly Fee Inflation	3.0%
General Expense Inflation	3.0%
Medical Expense Inflation	3.0%
Investment Income Rate	3.0%
Discount Rate	5.0%

Occupancy Assumptions:

Independent Living Units	Stabilizes at 340.8 units, 96.0%
Independent Living Units – Expansion	Stabilizes at 88.0 units, 94.6%
Assisted Living	Stabilizes at 103.5 units, 112.5%
Skilled Nursing	Stabilizes at 133.9 units, 122.8%

Distribution of New Residents by Contract Type:

60 Month Declining Refund	100.0%
60 Month Declining Refund – Expansion	100.0%

Distribution of New Residents by Gender/Couple/Age:

<u>Type of New Entrant</u>	<u>Assumed Distribution</u>	<u>Male Age</u>	<u>Female Age</u>
Single Male	12%	82	
Single Female	48%		84
Couple	40%	84	82

Distribution of New Residents by Gender/Couple/Age – Expansion:

<u>Type of New Entrant</u>	<u>Assumed Distribution</u>	<u>Male Age</u>	<u>Female Age</u>
Single Male	11%	82	
Single Female	39%		84
Couple	50%	84	82

SECTION III — RESIDENTIAL CONTRACT INFORMATION

Friends Homes is a senior retirement community located in Greensboro, North Carolina. Under the terms of all contracts, the resident agrees to pay an initial Entrance Fee and a Monthly Service Fee, which entitles the resident to lifetime occupancy of a residential unit, subject to contractual conditions. Under these plans, residents pay the Monthly Service Fee that corresponds to their unit in Independent Living. Friends Homes is currently offering one plan type to potential new residents: 60 Month Declining Refund. If a resident temporarily transfers to Friends Homes' Healthcare Center, the resident is forecasted to be required to pay both the Monthly Service Fee for their Independent Living unit and the applicable current private daily rate at the Healthcare Center. If a resident is permanently transferred to the Healthcare Center, the resident will pay the per diem rates.

Under the 60 Month Declining Refund, Friends Homes will refund the Entrance Fee without interest to the resident upon reoccupancy with the following amortization schedule: a 1.67% reduction for each month of occupancy thereafter for up to 60 months until termination at which point the Entrance Fee is no longer refundable.

Exhibit A

Resident Contract Fees by Independent Living Unit Type
Average 2019 Fees

Independent Living Units

60 Month Declining Refund

<u>Unit Type</u>	<u>Entrance Fees</u>	<u>Monthly Fees</u>
Woolman and Fox - Studio - Standard	\$24,877	\$1,547
Woolman and Fox - One Bedroom - Standard	39,804	2,360
Woolman and Fox - One Bedroom - Standard	54,730	2,360
Woolman and Fox - One Bedroom - Deluxe	59,706	2,804
Woolman and Fox - Two Bedroom - Standard	54,730	3,119
Woolman and Fox - Two Bedroom - Deluxe	69,657	3,119
Woolman and Fox - Two Bedroom - Deluxe	69,657	3,235
Hobbs Hall - One Bedroom - Standard	99,012	2,486
Hobbs Hall - Two Bedroom - Standard	143,294	3,306
Hobbs Hall - Two Bedroom - Deluxe	153,245	3,534
West Campus - One Bedroom - Standard	99,012	2,440
West Campus - Two Bedroom - Standard	137,324	3,245
West Campus - Two Bedroom - Balcony	142,299	3,353
<u>West Campus - Two Bedroom - Deluxe</u>	<u>148,270</u>	<u>3,452</u>
Second Person	\$0	\$574

Exhibit A (cont.)

Resident Contract Fees by Independent Living Unit Type
Average 2022 Fees

Independent Living Units

60 Month Declining Refund – Expansion

<u>Unit Type</u>	<u>Entrance Fees</u>	<u>Monthly Fees</u>
West Campus - Townhome 2 BR - 1,400 sq ft	\$264,000	\$3,551
West Campus - Townhome 2 BR with Den - 1,600 sq ft	295,000	3,715
West Campus - Cottage 3 BR - 1,800 sq ft	352,000	3,934
West Campus - Villa - 2 BR - 1,531 sq ft	284,000	3,825
West Campus - Villa - 2 BR with Den - 1,700 sq ft	322,000	4,043
West Campus - Villa - 2 BR with Den - 2,100 sq ft	372,000	4,262
Guilford - 2 BR 1,400 sq ft	264,000	3,551
<u>Guilford - 2 BR with Den 1,600 sq ft</u>	<u>295,000</u>	<u>3,715</u>
Second Person	\$0	\$874

Exhibit B

**Type, Number and Square Footage of Units
As of September 30, 2018**

<u>Independent Living Units</u>		
Unit Type	Number of Units	Approximate Square Footage
Woolman and Fox - Studio - Standard	64	334
Woolman and Fox - One Bedroom - Standard	28	622
Woolman and Fox - One Bedroom - Standard	30	622
Woolman and Fox - One Bedroom - Deluxe	4	792
Woolman and Fox - Two Bedroom - Standard	11	982
Woolman and Fox - Two Bedroom - Deluxe	6	982
Woolman and Fox - Two Bedroom - Deluxe	1	1,326
Hobbs Hall - One Bedroom - Standard	12	832
Hobbs Hall - Two Bedroom - Standard	20	1,235
Hobbs Hall - Two Bedroom - Deluxe	8	1,352
West Campus - One Bedroom - Standard	67	800
West Campus - Two Bedroom - Standard	26	1,166
West Campus - Two Bedroom - Balcony	31	1,090
<u>West Campus - Two Bedroom - Deluxe</u>	<u>47</u>	<u>1,090</u>
Independent Living Total	355	826 (average unit size)

Exhibit B (cont.)

**Type, Number and Square Footage of Units – Expansion
As of September 30, 2021**

<u>Independent Living Units</u>		
Unit Type	Number of Units	Approximate Square Footage
West Campus - Townhome 2 BR - 1,400 sq ft	4	1,400
West Campus - Townhome 2 BR with Den - 1,600 sq ft	4	1,600
West Campus - Cottage 3 BR - 1,800 sq ft	11	1,800
West Campus - Villa - 2 BR - 1,531 sq ft	18	1,531
West Campus - Villa - 2 BR with Den - 1,700 sq ft	18	1,700
West Campus - Villa - 2 BR with Den - 2,100 sq ft	18	2,100
Guilford - 2 BR 1,400 sq ft	8	1,400
Guilford - 2 BR with Den 1,600 sq ft	<u>12</u>	<u>1,600</u>
Independent Living Total	93	1,701 (average unit size)

Type and Number of Assisted Living Units and Skilled Nursing Beds

<u>Assisted Living</u>	<u>Current Units</u>
Standard Private	80
<u>Deluxe Private</u>	<u>12</u>
Total Units	92

<u>Skilled Nursing</u>	<u>Current Beds</u>
Private	97
<u>Semi Private</u>	<u>12</u>
Total Beds	109

SECTION IV - POPULATION PROJECTIONS AND HISTORICAL ANALYSIS

A. Methodology - Developing Demographic Assumptions

In order to project the future residents through the various levels of care, we first developed the demographic assumptions as input to the population projections using Continuing Care Actuaries' demographic database for CCRC residents. This database comprises over 500,000 CCRC residential life-years of demographic experience. The database assumptions used in this analysis reflect experience of communities with similar health care guarantees as Friends Homes. These assumptions, which include mortality rates, morbidity rates (permanent and temporary transfer rates) and withdrawal rates (move-out rates), were applied to the future resident populations.

The demographic assumptions are based on data collected from Friends Homes as well as other similar communities in the Continuing Care Actuaries Demographic Database for CCRC residents. The resulting life expectancy at each level of care is summarized in the chart below:

Life Expectancy at Time of Entry by Age at Entry

Female Entrants

<u>Entry Age</u>	<u>Independent Living</u>	<u>Assisted Living</u>	<u>Skilled Nursing</u>	<u>Total</u>
65	15.0	1.3	1.3	17.6
70	12.2	1.3	1.4	14.9
75	9.5	1.3	1.4	12.2
80	6.8	1.3	1.5	9.6
85	4.6	1.3	1.5	7.4
90	3.2	1.2	1.4	5.8

Male Entrants

<u>Entry Age</u>	<u>Independent Living</u>	<u>Assisted Living</u>	<u>Skilled Nursing</u>	<u>Total</u>
65	12.5	1.3	1.2	15.0
70	10.1	1.2	1.3	12.6
75	8.0	1.0	1.3	10.3
80	5.9	1.0	1.3	8.2
85	3.8	1.0	1.4	6.2
90	2.5	1.1	1.4	5.0

B. Methodology - Projections

After we developed the demographic assumptions, we projected the future residents assumed to reside at Friends Homes at the beginning of the projection as of September 30, 2018 through the various levels of care until move-out or death. Independent Living Unit turnovers due to deaths, permanent transfers and move-outs were projected. New entrants were admitted into the community based on the fill-up schedule and the projected Independent Living Unit turnovers. The demographic characteristics of these new entrants were based on the resident list provided by the community. Each generation, or year, of new entrants, was tracked through various levels of care until death. The total Independent Living Unit turnover from each generation of entrants was developed in our projection system.

We developed population projections based on the expected scenario. The expected scenario was based on the most likely outcome. The output of our open group population projections under the expected scenario is presented in the Appendix.

C. Historical Analysis

Continuing Care Actuaries analyzed the historic demographic activity at Friends Homes from September 1993 to September 30, 2018. The experience was analyzed to produce appropriate mortality, morbidity (or healthcare transfer rates) and voluntary withdrawal rates to be used in future projection flows at Friends Homes. The development of appropriate projection assumptions involves the use of the mathematical concept of statistical credibility. Continuing Care Actuaries has developed a national CCRC demographic database that is based on the experience gathered for over 500,000 life years of experience by our company. This experience includes our demographic study sponsored by the National Institute of Health, as well as the Society of Actuaries and the American Association for Services and Homes for the Aging. This study was completed by Continuing Care Actuaries in 2002 and consists of the demographic experience at 70 CCRCs, representing multiple delivery, financing and geographical regions of the United States.

Utilization

ILU Information

Fiscal Year	Units		People					New Entrants			End of Year
	Released	Occupied	New	With-Drawn	ALU Trans.	SNF Trans.	Deaths	Single Ratio	Couple Ratio	Avg. Age	Occupancy in %
2016	58	54	72	5	45	19	7	67%	33%	83.7	94%
2017	64	67	88	4	52	20	9	69%	31%	83.6	94%
2018	59	67	85	2	40	29	9	73%	27%	83.1	97%

ALU Information (Life Care Only)

Fiscal Year	Transfers from ILU	Transfers to SNF	Deaths	End of Year Occupancy in %
2016	45	27	8	90%
2017	52	41	8	93%
2018	40	47	3	83%

SNF Information (Life Care Only)				
Fiscal Year	Transfers from ILU	Transfers from ALU	Deaths	End of Year Occupancy in %
2016	19	27	52	59%
2017	20	41	47	72%
2018	29	47	62	84%

Mortality & Morbidity Analysis

After analyzing Friends Homes’ history, we used the following factors to modify the Continuing Care Actuaries rates in order to project utilization of health care services at Friends Homes.

	Assumption
Independent Living Mortality	60%
Transfer from Independent Living to Skilled Nursing	130%
Transfer from Independent Living to Assisted Living	165%
Transfer from Assisted Living to Skilled Nursing	150%
Assisted Living Mortality	70%
Skilled Nursing Mortality	115%
Withdrawal from Independent Living	90%
Temporary Transfer from Independent Living to Skilled Nursing	65%

Continuing Care Actuaries performed a study of Friends Homes’ mortality experience at each level of care. Our national database adjusts expected mortality by age and gender of the resident, as well as the number of years the resident has resided at the particular level of care.

D. Results

Demographic Characteristics of Future Residents

The current population projection of Entrance Fee paying residents was based on the demographic characteristics of Friends Homes' residents as of September 30, 2018. The demographic distribution of the residents can be found in Appendix A.

Independent Living

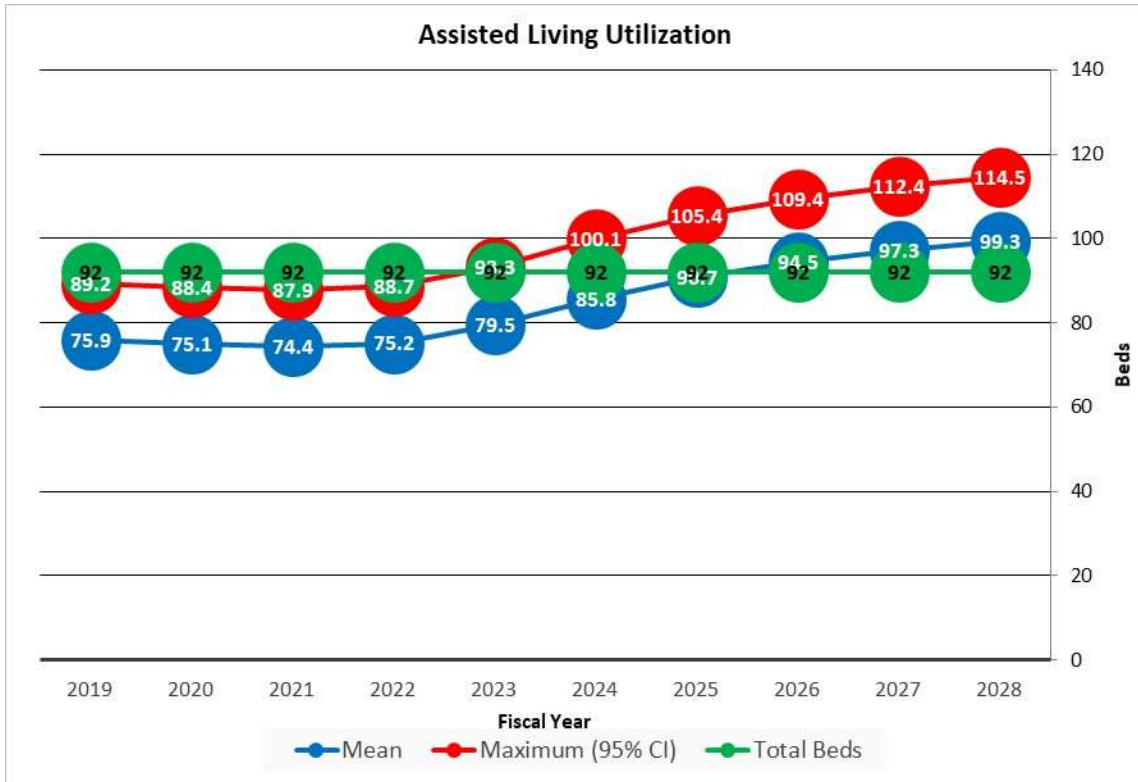
Year	Units Available	Units Occupied		Average	Average Occupancy
		Beginning of Year	End of Year		
2019	355	342.9	342.9	342.9	96.6%
2020	355	340.8	340.8	340.8	96.0%
2021	355	340.8	340.8	340.8	96.0%
2022	448	374.4	374.4	374.4	83.6%
2023	448	428.8	428.8	428.8	95.7%

Assisted Living

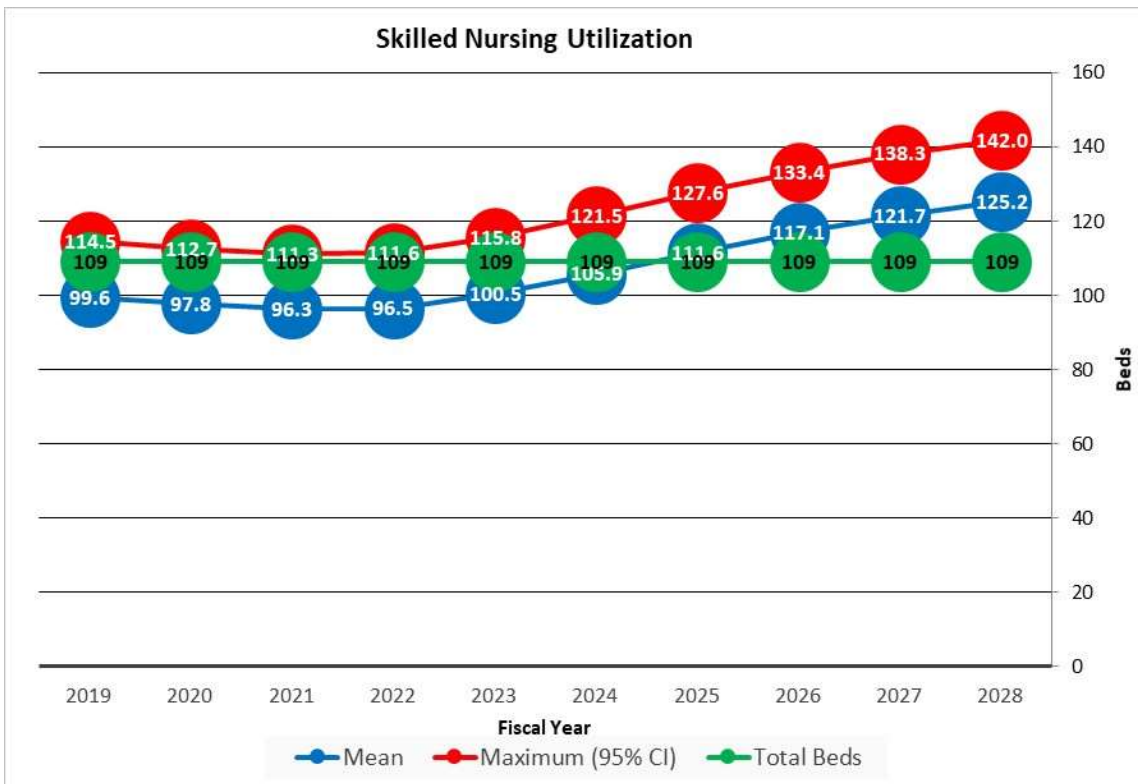
Year	Units Available	Contract Residents	Per Diem Residents	Average	Average Occupancy
				Number of Occupied Units	
2019	92	75.9	7.7	83.6	90.9%
2020	92	75.5	10.5	86.0	93.4%
2021	92	74.8	12.6	87.4	95.0%
2022	92	74.8	12.6	87.4	95.0%
2023	92	77.3	10.1	87.4	95.0%

Skilled Nursing

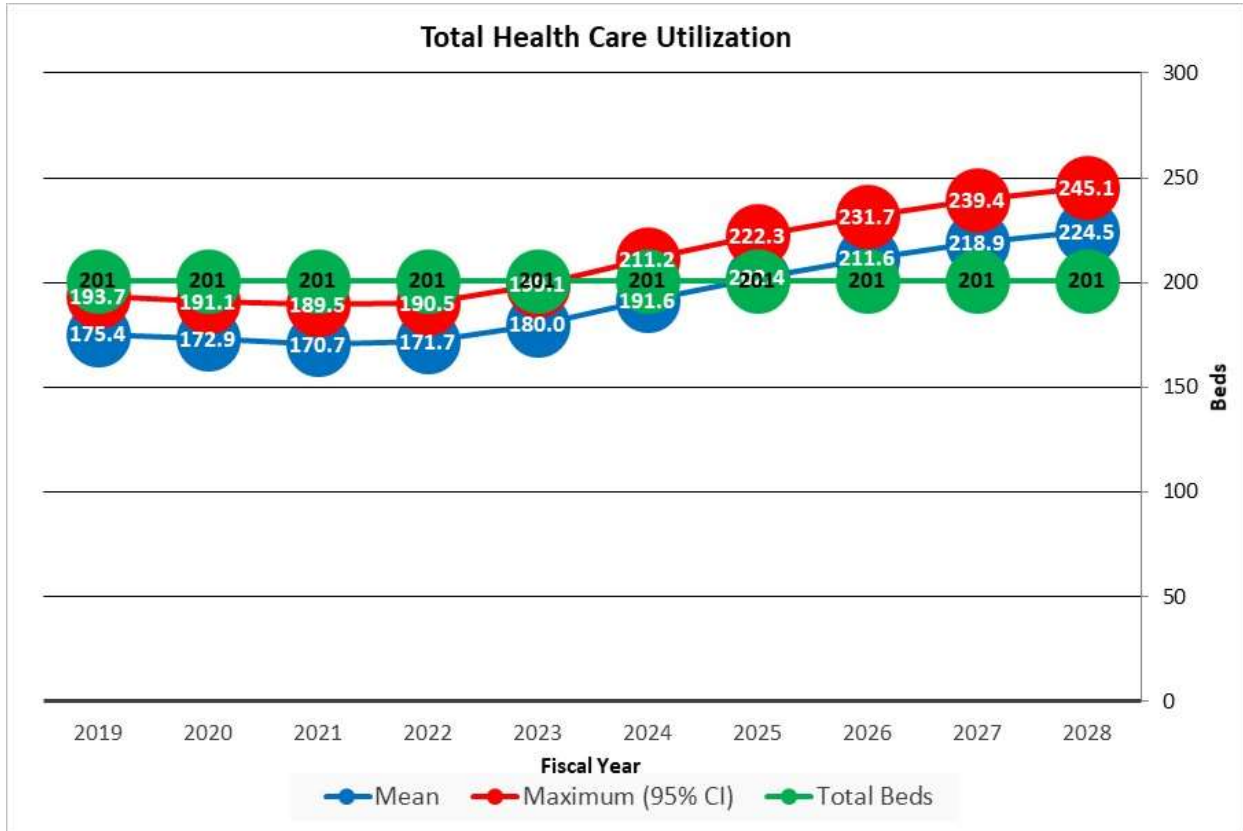
Year	Units Available	Contract Residents	Temporary Residents	Per Diem Residents	Total Residents	Average Occupancy
2019	109	91.6	8.5	4.6	104.6	96.0%
2020	109	90.4	8.1	6.1	104.6	96.0%
2021	109	89.1	7.9	7.7	104.6	96.0%
2022	109	88.4	8.2	8.1	104.6	96.0%
2023	109	89.9	9.1	5.6	104.6	96.0%



The projections detailed above provide the average occupancy of the Assisted Living Units by contract residents. There will naturally be fluctuations around the mean, as shown in the above chart, with the 95% confidence interval.



The projections detailed above provide the average occupancy of the Skilled Nursing Beds by contract residents. There will naturally be fluctuations around the mean, as shown in the above chart, with the 95% confidence interval. Similar to above, below is the projection of contract residents in Assisted Living Units and Skilled Nursing Beds.



New entrant assumptions were developed based on a review of demographic characteristics of independent living unit depositors. The following table summarizes the demographic distribution of new entrants into Friends Homes. In subsequent years, the projection assumes that new entrants will be slightly older, a phenomena commonly experienced in the CCRC industry.

Existing

Type of New Entrant	Assumed Distribution	Male Age	Female Age
Single Male	12%	82	
Single Female	48%		84
Couple	40%	84	82

Expansion

Type of New Entrant	Assumed Distribution	Male Age	Female Age
Single Male	11%	82	
Single Female	39%		84
Couple	50%	84	82

SECTION V — FINANCIAL ASSUMPTIONS

The analysis represents the most likely, or expected, scenario with respect to both demographic and financial assumptions. Continuing Care Actuaries has utilized the key assumptions for Friends Homes throughout the analysis. The assumptions can be found in Section II of this report. The chart below summarizes key Cash Flow Expenditures assumptions for the period 2019 through 2022:

**Cash Flow Expenditures
YEAR ENDING SEPTEMBER 30**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Construction Cost			\$33,500,000	\$33,500,000
Development Fee			432,500	427,500
Administration	4,971,712	5,120,863	5,274,489	5,432,724
Marketing	652,306	671,875	692,031	712,792
Dietary	4,990,192	5,139,898	5,294,095	5,452,918
Resident Services	911,116	938,449	966,603	995,601
Wellness	117,988	121,528	125,173	128,929
Resident Care	7,504,361	7,729,492	7,961,377	8,200,218
Maintenance and Grounds	3,805,122	3,919,276	4,036,854	4,157,960
Housekeeping, Laundry and Security	1,977,483	2,036,807	2,097,912	2,160,849
Management Services Fee	1,221,684	1,286,992	1,387,599	1,492,243
Resident Services - Expansion	0	0	0	10,590
Dining - Expansion	0	0	0	111,851
Wellness - Expansion	0	0	0	3,131
Environmental Services - Expansion	0	0	0	13,968
Maintenance - Expansion	0	0	0	182,695
Administration - Expansion	0	0	0	8,322
Human Resources - Expansion	0	0	0	6,814
Marketing - Expansion	0	0	0	19,075
IT - Expansion	0	0	0	13,365
EB & Liability Insurance - Expansion	0	0	0	31,701
Management Services - Expansion	0	0	0	87,492
Wages - Expansion	0	0	0	528,806
Commissions - Expansion	0	0	0	110,000
Outside Nursing	0	0	0	0
Interest	1,190,686	2,204,877	3,282,343	3,930,589
Principal Repayment	1,495,000	1,565,000	1,640,000	1,555,000
<u>Capital Expenditures</u>	<u>3,327,363</u>	<u>3,416,712</u>	<u>3,877,005</u>	<u>1,800,000</u>
Total	\$32,165,013	\$34,151,770	\$70,567,981	\$71,075,133

SECTION VI — ACTUARIAL ANALYSIS

The purpose of the Actuarial Balance Sheet is to determine whether the projected assets and present value of future Monthly Service Fees equals or exceeds projected liabilities and the present value of future expenses associated with providing care to the expected closed group of residents of Friends Homes as of September 30, 2022. While the Actuarial Balance Sheet analyzes the financial condition of Friends Homes in aggregate historically, the Actuarial Pricing Analysis develops the financial adequacy of the current pricing structure for each Independent Living Unit type.

A. Actuarial Balance Sheet

The Actuarial Balance Sheet has been developed in accordance with Actuarial Standard of Practice No.3, "Practices Relating to Continuing Care Retirement Communities." The balance sheet directly evaluates the CCRC solvency for a community with respect to its expected set of residents. If the balance sheet shows a deficit, or if successive balance sheets reflect an undesirable reduction in surplus, consideration should be given to increasing fees or taking cost reduction measures. If the balance sheet shows a "reasonable" surplus, the existing fees may be appropriate. If the balance sheet shows an "excessive" surplus, consideration may be given to reducing the fees or increasing the services offered.

The actuarial balance sheet for the residents includes the present value of the Entrance Fees and Monthly Service Fees. Liabilities include the present value of Entrance Fee refunds and the present value of promised services under the continuing care contract.

The following table develops the expected surplus for the expected group of residents at Friends Homes as of September 30, 2022. Based on the demographic and financial assumptions detailed, our analysis concluded that Friends Homes will have assets of \$335,489,000 with current and future liabilities of \$199,378,000. Based on these projected assets and liabilities, Friends Homes' funded status is 168.3%.

The actuarial ratio determines the percent of future expenses that are expected to be covered by future revenues for the expected group of residents as of September 30, 2022. This measure is important in evaluating a community's ability to handle adverse experience since any shortfall must be covered by a combination of existing assets and future residents. This ratio was calculated at 98.1%.

**Friends Homes
Consolidated Financial Statements
Actuarial Balance Sheet (in 000's)
As of September 30, 2022**

ACTUARIAL ASSETS

Current Assets	\$81,424
Actuarial Present Value of Net Fixed Assets	157,125
Current Liabilities	(3,771)
Actuarial Present Value of Long-Term Debt	(92,827)

NET ACTUARIAL ASSETS \$141,951

ACTUARIAL LIABILITIES

Actuarial Present Value of Future Liabilities	\$197,274	
Actuarial Present Value of Future Revenues	193,538	
Net Actuarial Liabilities		3,736
Actuarial Present Value of Refund Liability		2,104
Actuarial Surplus (Deficit)		<u>136,111</u>

NET ACTUARIAL LIABILITIES \$141,951

Funded Status

Net Actuarial Assets + APV of Future Revenue	\$335,489
divided by	
APV of Future Liabilities + APV of Refund Liability	<u>÷199,378</u>

FUNDED STATUS 168.3%

The actuarial ratio evaluates the ratio of future revenue, which can be adjusted for inflation and demographic variations in experience to future liabilities. This ratio was calculated at 98.1%.

Actuarial Ratio

Actuarial Present Value of Future Revenue	\$193,538
divided by	
Actuarial Present Value of Future Liabilities	<u>÷197,274</u>

ACTUARIAL RATIO 98.1%

B. Actuarial Pricing Analysis

The purpose of the Actuarial Pricing Analysis is to calculate the expected contractual surplus (deficit) for each contract and for each type of new entrant at the time of entry to Friends Homes. This analysis has parallels to insurance pricing. The present value of the Entrance Fee and Monthly Service Fees is calculated and the present value of contractual liabilities is also calculated for the new entrant at each level of care. Contractual liabilities include future refunds and the cost of Independent Living and Healthcare Center. A sufficient surplus indicates that the contracts are adequately priced, while a deficit indicates that fees are not sufficient to cover expenses.

The actuarial pricing analysis has been developed in accordance with Actuarial Standard of Practice No.3, "Practices Relating to Continuing Care Retirement Communities." The Pricing Analysis directly evaluates the contract solvency for a new resident. If the analysis shows a deficit, or if successive analyses reflect an undesirable reduction in surplus, consideration should be given to increasing fees or taking cost reduction measures. If the analysis shows a "reasonable" surplus, the existing fees may be appropriate. If the analysis shows an "excessive" surplus, consideration may be given to reducing the fees or increasing the services offered.

The actuarial surplus is developed in that projected expenses are allocated to each Independent Living and Healthcare Center Units. The actuarial surplus is defined to be the sum of the Entrance Fee and contingent assets such as Monthly Service Fees less the projected expenses for the particular resident or couple entering the unit. This analysis was conducted separately for single females, single males and couples entering each Independent Living unit under the contracts offered by Friends Homes. The distribution of couples and singles on the chart below reflect expected demographics based on historical experience and management expectations.

New Entrant Unit Type Distribution Assumption

<u>Unit Type</u>	<u>Single Female</u>	<u>Single Male</u>	<u>Couples</u>
Woolman and Fox - Studio - Standard	80.0%	20.0%	0.0%
Woolman and Fox - One Bedroom - Standard	64.0%	16.0%	20.0%
Woolman and Fox - One Bedroom - Standard	64.0%	16.0%	20.0%
Woolman and Fox - One Bedroom - Deluxe	52.0%	13.0%	35.0%
Woolman and Fox - Two Bedroom - Standard	36.0%	9.0%	55.0%
Woolman and Fox - Two Bedroom - Deluxe	36.0%	9.0%	55.0%
Woolman and Fox - Two Bedroom - Deluxe	12.0%	3.0%	85.0%
Hobbs Hall - One Bedroom - Standard	48.0%	12.0%	40.0%
Hobbs Hall - Two Bedroom - Standard	20.0%	5.0%	75.0%
Hobbs Hall - Two Bedroom - Deluxe	12.0%	3.0%	85.0%
West Campus - One Bedroom - Standard	52.0%	13.0%	35.0%
West Campus - Two Bedroom - Standard	24.0%	6.0%	70.0%
West Campus - Two Bedroom - Balcony	28.0%	7.0%	65.0%
<u>West Campus - Two Bedroom - Deluxe</u>	<u>28.0%</u>	<u>7.0%</u>	<u>65.0%</u>
Composite	48.0%	12.0%	40.0%

New Entrant Unit Type Distribution Assumption – Expansion

<u>Unit Type</u>	<u>Single Female</u>	<u>Single Male</u>	<u>Couples</u>
West Campus - Townhome 2 BR - 1,400 sq ft	58.5%	16.5%	25.0%
West Campus - Townhome 2 BR with Den - 1,600 sq ft	42.9%	12.1%	45.0%
West Campus - Cottage 3 BR - 1,800 sq ft	31.2%	8.8%	60.0%
West Campus - Villa - 2 BR - 1,531 sq ft	50.7%	14.3%	35.0%
West Campus - Villa - 2 BR with Den - 1,700 sq ft	35.1%	9.9%	55.0%
West Campus - Villa - 2 BR with Den - 2,100 sq ft	19.5%	5.5%	75.0%
Guilford - 2 BR 1,400 sq ft	58.5%	16.5%	25.0%
<u>Guilford - 2 BR with Den 1,600 sq ft</u>	<u>42.9%</u>	<u>12.1%</u>	<u>45.0%</u>
Composite	39.0%	11.0%	50.0%

The Actuarial Pricing Analysis develops the expected contractual surplus (deficit) for each contract and for each type of new entrant at the time of entry to Friends Homes. In general, we recommend that management target contractual pricing to result in approximately a 10% surplus margin. That is, the expected surplus should equal approximately 10% of the present value of contractual liabilities.

The analysis for the 60 Month Declining Refund indicated that this contract is expected to produce an average surplus of \$98,232 at entry for new residents, which represents a margin of 17.9% of the present value of contractual liabilities.

Note that the percentage below the dollar amounts, in the following chart, represents the surplus as a percentage of the total contractual liabilities as of the entry date into Friends Homes.

Actuarial Pricing Analysis as of September 30, 2018

60 Month Declining Refund

Unit Type	Single Female	Single Male	Couple	Composite
Woolman and Fox - Studio - Standard	\$13,746 4.4%	\$10,594 3.7%	22,932 4.3%	\$13,116 4.3%
Woolman and Fox - One Bedroom - Standard	34,205 9.4%	30,719 9.1%	46,729 7.7%	\$36,152 8.9%
Woolman and Fox - One Bedroom - Standard	49,364 13.5%	45,546 13.4%	63,201 10.5%	\$51,521 12.6%
Woolman and Fox - One Bedroom - Deluxe	55,180 14.0%	51,253 13.9%	69,733 10.8%	\$59,763 12.5%
Woolman and Fox - Two Bedroom - Standard	39,171 9.2%	35,370 8.9%	49,020 7.1%	\$44,246 7.8%
Woolman and Fox - Two Bedroom - Deluxe	54,331 12.7%	50,197 12.5%	65,492 9.5%	\$60,098 10.6%
Woolman and Fox - Two Bedroom - Deluxe	4,722 1.0%	653 0.1%	(3,378) -0.4%	(\$2,285) -0.3%
Hobbs Hall - One Bedroom - Standard	67,654 16.7%	62,885 16.6%	75,022 11.5%	\$70,029 14.0%
Hobbs Hall - Two Bedroom - Standard	99,257 20.8%	93,524 20.7%	105,297 14.1%	\$103,500 15.2%
Hobbs Hall - Two Bedroom - Deluxe	104,839 21.1%	98,892 20.9%	109,989 14.2%	\$109,038 14.9%
West Campus - One Bedroom - Standard	69,999 17.5%	65,227 17.4%	78,279 12.1%	\$72,277 15.0%
West Campus - Two Bedroom - Standard	100,711 21.7%	95,101 21.6%	109,146 14.9%	\$106,279 16.3%
West Campus - Two Bedroom - Balcony	125,423 27.7%	119,678 27.9%	141,924 19.9%	\$135,746 21.9%
West Campus - Two Bedroom - Deluxe	137,982 30.5%	132,096 30.8%	157,525 22.0%	\$150,273 24.2%

Actuarial Pricing Analysis as of September 30, 2018

60 Month Declining Refund (cont.)

Unit Type	Single Female	Single Male	Couple	Composite
West Campus - Townhome 2 BR	162,880 <i>31.7%</i>	155,079 <i>31.5%</i>	173,436 <i>22.0%</i>	\$164,232 <i>28.4%</i>
West Campus - Townhome 2 BR with Den	167,751 <i>30.5%</i>	159,360 <i>30.1%</i>	171,630 <i>20.5%</i>	\$168,481 <i>24.9%</i>
West Campus - Cottage 3 BR	199,684 <i>33.9%</i>	190,175 <i>33.4%</i>	200,206 <i>22.7%</i>	\$199,161 <i>26.1%</i>
West Campus - Villa - 2 BR	175,650 <i>32.6%</i>	167,456 <i>32.4%</i>	185,628 <i>22.7%</i>	\$177,970 <i>28.1%</i>
West Campus - Villa - 2 BR with Den	195,336 <i>34.3%</i>	186,401 <i>33.9%</i>	202,453 <i>23.6%</i>	\$198,366 <i>27.3%</i>
West Campus - Villa - 2 BR with Den	187,592 <i>29.2%</i>	177,723 <i>28.6%</i>	177,884 <i>18.7%</i>	\$179,768 <i>20.6%</i>
Guilford - 2 BR	162,880 <i>31.7%</i>	155,079 <i>31.5%</i>	173,436 <i>22.0%</i>	\$164,232 <i>28.4%</i>
Guilford - 2 BR with Den	167,751 <i>30.5%</i>	159,360 <i>30.1%</i>	171,630 <i>20.5%</i>	\$168,481 <i>24.9%</i>
Average Surplus (Subsidy)	77,401 <i>18.9%</i>	74,584 <i>19.2%</i>	127,658 <i>17.2%</i>	<u>\$98,232</u> <i>17.9%</i>

The chart below details an example of our analysis for the single female cohort entering the community in the Beech unit type.

Woolman and Fox – One Bedroom – Standard, single female:

Entrance Fee		\$61,600
NPV ILU Monthly Fees		154,420
<u>NPV Healthcare Center Monthly Fees</u>		<u>198,143</u>
Total Revenue		\$414,162
NPV ILU Costs		\$175,157
NPV Healthcare Center Costs		183,626
<u>NPV Refunds</u>		<u>6,015</u>
Total Expenses		\$364,798
Surplus		\$49,364
Margin	\$49,364/\$364,798	13.5%

In aggregate, based on new entrant contract distribution assumptions, the Actuarial Pricing Analysis for new entrants at Friends Homes is expected to cover the risk of adverse fluctuation, with a margin of 17.9%. Generally, it is our recommendation to target a margin of approximately 10% in order to cover possible adverse fluctuations that may occur in the future. These adverse fluctuations can include both changes in economic assumptions, such as expected inflation, and changes in demographic assumptions, such as Independent Living occupancy and Healthcare Center utilization.

C. Cash Flow Projection

The actuarial cash flow methodology employs the same principles found in GAAP cash flow projections. Key assumptions for the expected revenues, operating expenses, interest expense, and capital replacement are summarized in Section II and can be found in the detailed projections that follow. The projected revenues and expenses for the baseline study are shown in detail with the resulting net cash flow on Pages 47 and 48. The financial projection indicates that Friends Homes will generate positive annual cash flow throughout the projection, with the exception of 2021 when half of the construction expense is realized; 2022 when the remaining construction occurs; and 2023, when the short term debt is repaid.

Financial Forecast
Key Demographic and Facility Assumptions

<u>Independent Living - Contract</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Existing										
Number of ILU Residents (Average)	424.6	416.9	414.9	413.8	413.1	412.4	411.8	411.4	411.3	411.4
ILU Units - Single Occupancy	261.2	264.7	266.7	267.8	268.5	269.2	269.8	270.2	270.3	270.2
ILU Units - Couple Occupancy	<u>81.7</u>	<u>76.1</u>	<u>74.1</u>	<u>73.0</u>	<u>72.3</u>	<u>71.6</u>	<u>71.0</u>	<u>70.6</u>	<u>70.5</u>	<u>70.6</u>
Number of Occupied ILUs (Average)	342.9	340.8	340.8	340.8	340.8	340.8	340.8	340.8	340.8	340.8
Occupancy Percentage	96.6%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%
Expansion										
Number of ILU Residents (Average)	0.0	0.0	0.0	49.9	126.3	123.4	118.3	114.7	112.3	110.9
ILU Units - Single Occupancy	0.0	0.0	0.0	17.2	49.7	52.6	57.7	61.3	63.7	65.1
ILU Units - Couple Occupancy	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>16.3</u>	<u>38.3</u>	<u>35.4</u>	<u>30.3</u>	<u>26.7</u>	<u>24.3</u>	<u>22.9</u>
Number of Occupied ILUs (Average)	0.0	0.0	0.0	33.6	88.0	88.0	88.0	88.0	88.0	88.0
Occupancy Percentage	0.0%	0.0%	0.0%	36.1%	94.6%	94.6%	94.6%	94.6%	94.6%	94.6%
Assisted Living										
Lifecare - Permanent	75.9	75.5	74.8	74.3	74.2	74.7	75.6	76.7	77.6	78.5
Lifecare - Permanent - Expansion	0.0	0.0	0.0	0.5	3.1	7.9	12.6	15.9	18.2	19.8
2nd persons	8.3	17.6	19.8	19.9	19.8	19.7	19.8	19.9	19.9	19.9
2nd persons - Expansion	0.0	0.0	0.0	0.4	2.0	4.6	6.6	7.3	7.4	7.1
Lifecare - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Lifecare - Temporary - Expansion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Per Diem Residents	<u>7.7</u>	<u>10.5</u>	<u>12.6</u>	<u>12.6</u>	<u>10.1</u>	<u>4.8</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Number of Occupied ALUs (Average)	83.6	86.0	87.4	87.4	87.4	87.4	88.3	92.6	95.9	98.3
Occupancy Percentage	90.9%	93.4%	95.0%	95.0%	95.0%	95.0%	95.9%	100.7%	104.2%	106.8%
Outside Nursing Residents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	3.9	6.3
Skilled Nursing										
Lifecare - Permanent	91.6	90.4	89.1	88.0	87.5	87.5	88.1	89.3	90.7	92.0
Lifecare - Permanent - Expansion	0.0	0.0	0.0	0.4	2.4	6.5	11.3	15.6	19.0	21.6
2nd persons	16.0	19.6	23.5	25.7	26.6	26.9	27.1	27.1	27.2	27.2
2nd persons - Expansion	0.0	0.0	0.0	0.3	1.7	4.4	7.0	8.7	9.5	9.7
Lifecare - Temporary	8.5	8.1	7.9	7.7	7.6	7.6	7.6	7.7	7.8	7.8
Lifecare - Temporary - Expansion	0.0	0.0	0.0	0.5	1.5	1.7	1.8	1.9	2.0	2.1
Per Diem Residents	<u>4.6</u>	<u>6.1</u>	<u>7.7</u>	<u>8.1</u>	<u>5.6</u>	<u>1.4</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Private Pay Residents	2.4	3.2	4.0	4.2	2.9	0.7	0.0	0.0	0.0	0.0
Medicaid Residents	1.4	1.8	2.3	2.4	1.7	0.4	0.0	0.0	0.0	0.0
Medicare Residents	<u>0.8</u>	<u>1.1</u>	<u>1.4</u>	<u>1.5</u>	<u>1.0</u>	<u>0.2</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Number of Occupied SNFs (Average)	104.6	104.6	104.6	104.6	104.6	104.6	108.8	114.4	119.5	123.5
Occupancy Percentage	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%	99.8%	105.0%	109.6%	113.3%
Outside Nursing Residents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.4	10.5	14.5

Financial Forecast
Key Demographic and Facility Assumptions

<u>Independent Living - Contract</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>
<u>Existing</u>										
Number of ILU Residents (Average)	411.6	411.9	412.2	412.4	412.6	412.7	412.7	412.7	412.7	412.7
ILU Units - Single Occupancy	270.0	269.7	269.4	269.2	269.0	268.9	268.9	268.9	268.9	268.9
ILU Units - Couple Occupancy	<u>70.8</u>	<u>71.1</u>	<u>71.4</u>	<u>71.6</u>	<u>71.8</u>	<u>71.9</u>	<u>71.9</u>	<u>71.9</u>	<u>71.9</u>	<u>71.9</u>
Number of Occupied ILUs (Average)	340.8	340.8	340.8	340.8	340.8	340.8	340.8	340.8	340.8	340.8
Occupancy Percentage	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%
<u>Expansion</u>										
Number of ILU Residents (Average)	110.2	110.0	110.0	110.1	110.3	110.4	110.5	110.5	110.5	110.5
ILU Units - Single Occupancy	65.8	66.0	66.0	65.9	65.7	65.6	65.5	65.5	65.5	65.5
ILU Units - Couple Occupancy	<u>22.2</u>	<u>22.0</u>	<u>22.0</u>	<u>22.1</u>	<u>22.3</u>	<u>22.4</u>	<u>22.5</u>	<u>22.5</u>	<u>22.5</u>	<u>22.5</u>
Number of Occupied ILUs (Average)	88.0	88.0	88.0	88.0	88.0	88.0	88.0	88.0	88.0	88.0
Occupancy Percentage	94.6%	94.6%	94.6%	94.6%	94.6%	94.6%	94.6%	94.6%	94.6%	94.6%
<u>Assisted Living</u>										
Lifecare - Permanent	79.2	79.7	80.2	80.5	80.6	80.7	80.7	80.7	80.7	80.8
Lifecare - Permanent - Expansion	20.8	21.5	21.8	22.0	22.1	22.1	22.0	22.0	21.9	21.9
2nd persons	19.9	20.0	20.0	20.1	20.2	20.2	20.3	20.3	20.4	20.4
2nd persons - Expansion	6.9	6.6	6.4	6.3	6.3	6.3	6.3	6.3	6.3	6.4
Lifecare - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Lifecare - Temporary - Expansion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Per Diem Residents	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Number of Occupied ALUs (Average)	100.0	101.2	102.0	102.5	102.7	102.7	102.7	102.7	102.7	102.7
Occupancy Percentage	108.7%	110.0%	110.9%	111.4%	111.6%	111.7%	111.6%	111.6%	111.6%	111.6%
Outside Nursing Residents	8.0	9.2	10.0	10.5	10.7	10.7	10.7	10.7	10.7	10.7
<u>Skilled Nursing</u>										
Lifecare - Permanent	93.2	94.2	95.0	95.6	96.0	96.2	96.3	96.4	96.4	96.4
Lifecare - Permanent - Expansion	23.4	24.6	25.4	25.9	26.2	26.4	26.5	26.5	26.5	26.4
2nd persons	27.2	27.3	27.3	27.4	27.5	27.6	27.7	27.7	27.8	27.8
2nd persons - Expansion	9.6	9.3	9.0	8.8	8.6	8.6	8.6	8.6	8.6	8.6
Lifecare - Temporary	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9
Lifecare - Temporary - Expansion	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Per Diem Residents	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Private Pay Residents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Medicaid Residents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Medicare Residents	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Number of Occupied SNFs (Average)	126.6	128.8	130.4	131.5	132.3	132.7	132.8	132.9	132.9	132.9
Occupancy Percentage	116.1%	118.2%	119.6%	120.7%	121.3%	121.7%	121.9%	121.9%	121.9%	121.9%
Outside Nursing Residents	17.6	19.8	21.4	22.5	23.3	23.7	23.8	23.9	23.9	23.9

Total Number of Residents	592.1	582.8	578.7	576.1	574.7	574.5	575.5	577.4	579.6	581.9
Projected Number of Meals	361,365	361,124	361,965	361,582	361,296	361,042	366,366	377,153	386,178	393,267
Number of Available Independent Living Units - Existing	355	355	355	355	355	355	355	355	355	355
Number of Available Independent Living Units - Expansion				93	93	93	93	93	93	93
Number of Available Assisted Living Units	92	92	92	92	92	92	92	92	92	92
Number of Available Skilled Nursing Beds	109	109	109	109	109	109	109	109	109	109
Number of New ILUs Occupied	50.9	56.1	55.8	55.3	55.3	55.6	56.0	56.6	57.2	57.7
Number of New ILU Entrants	71.3	78.5	78.1	77.5	77.4	77.8	78.5	79.2	80.0	80.8
Number of New ILUs Occupied - Expansion	0.0	0.0	0.0	88.9	4.2	7.6	9.4	11.0	12.4	13.4
Number of New ILU Entrants - Expansion	0.0	0.0	0.0	133.4	6.3	11.4	14.1	16.6	18.6	20.1

Independent Living Unit Configuration

<u>Type of Unit</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Woolman and Fox - Studio - Standard	64	64	64	64	64	64	64	64	64	64
Woolman and Fox - One Bedroom - Standard	28	28	28	28	28	28	28	28	28	28
Woolman and Fox - One Bedroom - Standard	30	30	30	30	30	30	30	30	30	30
Woolman and Fox - One Bedroom - Deluxe	4	4	4	4	4	4	4	4	4	4
Woolman and Fox - Two Bedroom - Standard	11	11	11	11	11	11	11	11	11	11
Woolman and Fox - Two Bedroom - Deluxe	6	6	6	6	6	6	6	6	6	6
Woolman and Fox - Two Bedroom - Deluxe	1	1	1	1	1	1	1	1	1	1
Hobbs Hall - One Bedroom - Standard	12	12	12	12	12	12	12	12	12	12
Hobbs Hall - Two Bedroom - Standard	20	20	20	20	20	20	20	20	20	20
Hobbs Hall - Two Bedroom - Deluxe	8	8	8	8	8	8	8	8	8	8
West Campus - One Bedroom - Standard	67	67	67	67	67	67	67	67	67	67
West Campus - Two Bedroom - Standard	26	26	26	26	26	26	26	26	26	26
West Campus - Two Bedroom - Balcony	31	31	31	31	31	31	31	31	31	31
West Campus - Two Bedroom - Deluxe	47	47	47	47	47	47	47	47	47	47
Total	355	355	355	355	355	355	355	355	355	355
West Campus - Townhome 2 BR - 1,400 sq ft				4	4	4	4	4	4	4
West Campus - Townhome 2 BR with Den - 1,600 sq ft				4	4	4	4	4	4	4
West Campus - Cottage 3 BR - 1,800 sq ft				11	11	11	11	11	11	11
West Campus - Villa - 2 BR - 1,531 sq ft				18	18	18	18	18	18	18
West Campus - Villa - 2 BR with Den - 1,700 sq ft				18	18	18	18	18	18	18
West Campus - Villa - 2 BR with Den - 2,100 sq ft				18	18	18	18	18	18	18
Guilford - 2 BR 1,400 sq ft				8	8	8	8	8	8	8
Guilford - 2 BR with Den 1,600 sq ft				12	12	12	12	12	12	12
Total				93	93	93	93	93	93	93

Total Number of Residents	584.0	585.8	587.3	588.5	589.2	589.6	589.8	589.8	589.8	589.9
Projected Number of Meals	398,591	402,466	405,202	407,050	408,163	408,697	408,858	408,849	408,830	408,897
Number of Available Independent Living Units - Existing	355	355	355	355	355	355	355	355	355	355
Number of Available Independent Living Units - Expansion	93	93	93	93	93	93	93	93	93	93
Number of Available Assisted Living Units	92	92	92	92	92	92	92	92	92	92
Number of Available Skilled Nursing Beds	109	109	109	109	109	109	109	109	109	109
Number of New ILUs Occupied	58.1	58.4	58.6	58.6	58.7	58.7	58.7	58.7	58.7	58.7
Number of New ILU Entrants	81.3	81.7	82.0	82.1	82.1	82.1	82.1	82.1	82.2	82.2
Number of New ILUs Occupied - Expansion	14.0	14.4	14.6	14.7	14.7	14.7	14.7	14.7	14.7	14.6
Number of New ILU Entrants - Expansion	21.0	21.6	21.9	22.1	22.1	22.1	22.0	22.0	22.0	22.0

Independent Living Unit Configuration

<u>Type of Unit</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>
Woolman and Fox - Studio - Standard	64	64	64	64	64	64	64	64	64	64
Woolman and Fox - One Bedroom - Standard	28	28	28	28	28	28	28	28	28	28
Woolman and Fox - One Bedroom - Standard	30	30	30	30	30	30	30	30	30	30
Woolman and Fox - One Bedroom - Deluxe	4	4	4	4	4	4	4	4	4	4
Woolman and Fox - Two Bedroom - Standard	11	11	11	11	11	11	11	11	11	11
Woolman and Fox - Two Bedroom - Deluxe	6	6	6	6	6	6	6	6	6	6
Woolman and Fox - Two Bedroom - Deluxe	1	1	1	1	1	1	1	1	1	1
Hobbs Hall - One Bedroom - Standard	12	12	12	12	12	12	12	12	12	12
Hobbs Hall - Two Bedroom - Standard	20	20	20	20	20	20	20	20	20	20
Hobbs Hall - Two Bedroom - Deluxe	8	8	8	8	8	8	8	8	8	8
West Campus - One Bedroom - Standard	67	67	67	67	67	67	67	67	67	67
West Campus - Two Bedroom - Standard	26	26	26	26	26	26	26	26	26	26
West Campus - Two Bedroom - Balcony	31	31	31	31	31	31	31	31	31	31
West Campus - Two Bedroom - Deluxe	47	47	47	47	47	47	47	47	47	47
Total	355	355	355	355	355	355	355	355	355	355
West Campus - Townhome 2 BR - 1,400 sq ft	4	4	4	4	4	4	4	4	4	4
West Campus - Townhome 2 BR with Den - 1,600 sq ft	4	4	4	4	4	4	4	4	4	4
West Campus - Cottage 3 BR - 1,800 sq ft	11	11	11	11	11	11	11	11	11	11
West Campus - Villa - 2 BR - 1,531 sq ft	18	18	18	18	18	18	18	18	18	18
West Campus - Villa - 2 BR with Den - 1,700 sq ft	18	18	18	18	18	18	18	18	18	18
West Campus - Villa - 2 BR with Den - 2,100 sq ft	18	18	18	18	18	18	18	18	18	18
Guilford - 2 BR 1,400 sq ft	8	8	8	8	8	8	8	8	8	8
Guilford - 2 BR with Den 1,600 sq ft	12	12	12	12	12	12	12	12	12	12
Total	93	93	93	93	93	93	93	93	93	93

Entrance Fees	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Entrance Fees increase by:		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

60 Month Declining Refund

Woolman and Fox - Studio - Standard	\$24,877	\$25,624	\$26,392	\$27,184	\$28,000	\$28,840	\$29,705	\$30,596	\$31,514	\$32,459
Woolman and Fox - One Bedroom - Standard	39,804	40,998	42,228	43,495	44,800	46,144	47,528	48,954	50,422	51,935
Woolman and Fox - One Bedroom - Standard	54,730	56,372	58,063	59,805	61,600	63,448	65,351	67,311	69,331	71,411
Woolman and Fox - One Bedroom - Deluxe	59,706	61,497	63,342	65,242	67,199	69,215	71,292	73,431	75,634	77,903
Woolman and Fox - Two Bedroom - Standard	54,730	56,372	58,063	59,805	61,600	63,448	65,351	67,311	69,331	71,411
Woolman and Fox - Two Bedroom - Deluxe	69,657	71,747	73,899	76,116	78,399	80,751	83,174	85,669	88,239	90,886
Woolman and Fox - Two Bedroom - Deluxe	69,657	71,747	73,899	76,116	78,399	80,751	83,174	85,669	88,239	90,886
Hobbs Hall - One Bedroom - Standard	99,012	101,983	105,042	108,193	111,439	114,782	118,226	121,773	125,426	129,189
Hobbs Hall - Two Bedroom - Standard	143,294	147,593	152,021	156,581	161,279	166,117	171,101	176,234	181,521	186,966
Hobbs Hall - Two Bedroom - Deluxe	153,245	157,842	162,578	167,455	172,479	177,653	182,983	188,472	194,126	199,950
West Campus - One Bedroom - Standard	99,012	101,983	105,042	108,193	111,439	114,782	118,226	121,773	125,426	129,189
West Campus - Two Bedroom - Standard	137,324	141,443	145,687	150,057	154,559	159,196	163,971	168,891	173,957	179,176
West Campus - Two Bedroom - Balcony	142,299	146,568	150,965	155,494	160,159	164,964	169,912	175,010	180,260	185,668
West Campus - Two Bedroom - Deluxe	148,270	152,718	157,299	162,018	166,879	171,885	177,042	182,353	187,824	193,458
ILU Average Single Entrance Fee	\$72,358	\$74,528	\$76,764	\$79,067	\$81,439	\$83,882	\$86,399	\$88,991	\$91,660	\$94,410
Second Person Entrance Fee	0	0	0	0	0	0	0	0	0	0
ILU Average Couple Entrance Fee	120,576	124,193	127,919	131,757	135,709	139,781	143,974	148,293	152,742	157,324
ILU Average Entrance Fee	91,665	94,415	97,248	100,165	103,170	106,265	109,453	112,737	116,119	119,602

<u>60 Month Declining Refund - Expansion</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u> 2.0%	<u>2025</u> 2.0%	<u>2026</u> 2.0%	<u>2027</u> 2.0%	<u>2028</u> 2.0%
West Campus - Townhome 2 BR - 1,400 sq ft				\$264,000	\$267,960	\$273,319	\$278,786	\$284,361	\$290,049	\$295,849
West Campus - Townhome 2 BR with Den - 1,600 sq ft				295,000	299,425	305,414	311,522	317,752	324,107	330,589
West Campus - Cottage 3 BR - 1,800 sq ft				352,000	357,280	364,426	371,714	379,148	386,731	394,466
West Campus - Villa - 2 BR - 1,531 sq ft				284,000	288,260	294,025	299,906	305,904	312,022	318,262
West Campus - Villa - 2 BR with Den - 1,700 sq ft				322,000	326,830	333,367	340,034	346,835	353,771	360,847
West Campus - Villa - 2 BR with Den - 2,100 sq ft				372,000	377,580	385,132	392,834	400,691	408,705	416,879
Guilford - 2 BR 1,400 sq ft				264,000	267,960	273,319	278,786	284,361	290,049	295,849
Guilford - 2 BR with Den 1,600 sq ft				295,000	299,425	305,414	311,522	317,752	324,107	330,589
ILU Average Single Entrance Fee				\$303,781	\$308,337	\$314,504	\$320,794	\$327,210	\$333,754	\$340,429
Second Person Entrance Fee				0	0	0	0	0	0	0
ILU Average Couple Entrance Fee				327,703	332,619	339,271	346,057	352,978	360,037	367,238
ILU Average Entrance Fee				315,742	320,478	326,888	333,425	340,094	346,896	353,834

Average Single Monthly Service Fee

	Monthly Service Fees increase by:									
	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
All Contracts - Existing	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Woolman and Fox - Studio - Standard	\$1,547	\$1,593	\$1,641	\$1,690	\$1,741	\$1,793	\$1,847	\$1,902	\$1,959	\$2,018
Woolman and Fox - One Bedroom - Standard	2,360	2,431	2,503	2,579	2,656	2,736	2,818	2,902	2,989	3,079
Woolman and Fox - One Bedroom - Standard	2,360	2,431	2,503	2,579	2,656	2,736	2,818	2,902	2,989	3,079
Woolman and Fox - One Bedroom - Deluxe	2,804	2,888	2,974	3,063	3,155	3,250	3,348	3,448	3,551	3,658
Woolman and Fox - Two Bedroom - Standard	3,119	3,213	3,309	3,408	3,510	3,616	3,724	3,836	3,951	4,070
Woolman and Fox - Two Bedroom - Deluxe	3,119	3,213	3,309	3,408	3,510	3,616	3,724	3,836	3,951	4,070
Woolman and Fox - Two Bedroom - Deluxe	3,235	3,332	3,432	3,535	3,641	3,751	3,863	3,979	4,098	4,221
Hobbs Hall - One Bedroom - Standard	2,486	2,560	2,637	2,716	2,798	2,882	2,968	3,057	3,149	3,243
Hobbs Hall - Two Bedroom - Standard	3,306	3,405	3,507	3,612	3,721	3,832	3,947	4,066	4,188	4,313
Hobbs Hall - Two Bedroom - Deluxe	3,534	3,640	3,749	3,862	3,978	4,097	4,220	4,346	4,477	4,611
West Campus - One Bedroom - Standard	2,440	2,513	2,589	2,667	2,747	2,829	2,914	3,001	3,091	3,184
West Campus - Two Bedroom - Standard	3,245	3,343	3,443	3,546	3,653	3,762	3,875	3,991	4,111	4,234
West Campus - Two Bedroom - Balcony	3,353	3,453	3,557	3,663	3,773	3,886	4,003	4,123	4,247	4,374
<u>West Campus - Two Bedroom - Deluxe</u>	<u>3,452</u>	<u>3,555</u>	<u>3,662</u>	<u>3,772</u>	<u>3,885</u>	<u>4,002</u>	<u>4,122</u>	<u>4,245</u>	<u>4,373</u>	<u>4,504</u>
Average Single Monthly Service Fee	\$2,652	\$2,732	\$2,814	\$2,898	\$2,985	\$3,075	\$3,167	\$3,262	\$3,360	\$3,461

Average Couple Monthly Service Fee

Type of Unit	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Woolman and Fox - Studio - Standard	\$2,121	\$2,184	\$2,250	\$2,317	\$2,387	\$2,458	\$2,532	\$2,608	\$2,686	\$2,767
Woolman and Fox - One Bedroom - Standard	2,934	3,022	3,112	3,206	3,302	3,401	3,503	3,608	3,716	3,828
Woolman and Fox - One Bedroom - Standard	2,934	3,022	3,112	3,206	3,302	3,401	3,503	3,608	3,716	3,828
Woolman and Fox - One Bedroom - Deluxe	3,377	3,479	3,583	3,690	3,801	3,915	4,033	4,154	4,278	4,407
Woolman and Fox - Two Bedroom - Standard	3,693	3,804	3,918	4,035	4,156	4,281	4,409	4,542	4,678	4,818
Woolman and Fox - Two Bedroom - Deluxe	3,693	3,804	3,918	4,035	4,156	4,281	4,409	4,542	4,678	4,818
Woolman and Fox - Two Bedroom - Deluxe	3,809	3,923	4,041	4,162	4,287	4,416	4,548	4,685	4,825	4,970
Hobbs Hall - One Bedroom - Standard	3,060	3,151	3,246	3,343	3,443	3,547	3,653	3,763	3,876	3,992
Hobbs Hall - Two Bedroom - Standard	3,880	3,996	4,116	4,239	4,366	4,497	4,632	4,771	4,914	5,062
Hobbs Hall - Two Bedroom - Deluxe	4,108	4,231	4,358	4,489	4,623	4,762	4,905	5,052	5,204	5,360
West Campus - One Bedroom - Standard	3,014	3,104	3,198	3,293	3,392	3,494	3,599	3,707	3,818	3,933
West Campus - Two Bedroom - Standard	3,819	3,934	4,052	4,173	4,298	4,427	4,560	4,697	4,838	4,983
West Campus - Two Bedroom - Balcony	3,926	4,044	4,165	4,290	4,419	4,552	4,688	4,829	4,974	5,123
<u>West Campus - Two Bedroom - Deluxe</u>	<u>4,026</u>	<u>4,146</u>	<u>4,271</u>	<u>4,399</u>	<u>4,531</u>	<u>4,667</u>	<u>4,807</u>	<u>4,951</u>	<u>5,099</u>	<u>5,252</u>
Average ILU Couple Monthly Service Fee	\$3,226	\$3,323	\$3,423	\$3,525	\$3,631	\$3,740	\$3,852	\$3,968	\$4,087	\$4,209

Average Single Monthly Service Fee

Monthly Service Fees increase by:	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
All Contracts - Existing	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Woolman and Fox - Studio - Standard	\$2,079	\$2,141	\$2,205	\$2,271	\$2,340	\$2,410	\$2,482	\$2,557	\$2,633	\$2,712
Woolman and Fox - One Bedroom - Standard	3,171	3,266	3,364	3,465	3,569	3,676	3,787	3,900	4,017	4,138
Woolman and Fox - One Bedroom - Standard	3,171	3,266	3,364	3,465	3,569	3,676	3,787	3,900	4,017	4,138
Woolman and Fox - One Bedroom - Deluxe	3,768	3,881	3,997	4,117	4,241	4,368	4,499	4,634	4,773	4,916
Woolman and Fox - Two Bedroom - Standard	4,192	4,317	4,447	4,580	4,718	4,859	5,005	5,155	5,310	5,469
Woolman and Fox - Two Bedroom - Deluxe	4,192	4,317	4,447	4,580	4,718	4,859	5,005	5,155	5,310	5,469
Woolman and Fox - Two Bedroom - Deluxe	4,348	4,478	4,613	4,751	4,894	5,040	5,192	5,347	5,508	5,673
Hobbs Hall - One Bedroom - Standard	3,341	3,441	3,544	3,650	3,760	3,873	3,989	4,109	4,232	4,359
Hobbs Hall - Two Bedroom - Standard	4,443	4,576	4,713	4,855	5,000	5,150	5,305	5,464	5,628	5,797
Hobbs Hall - Two Bedroom - Deluxe	4,749	4,892	5,039	5,190	5,345	5,506	5,671	5,841	6,016	6,197
West Campus - One Bedroom - Standard	3,279	3,378	3,479	3,584	3,691	3,802	3,916	4,033	4,154	4,279
West Campus - Two Bedroom - Standard	4,361	4,492	4,627	4,766	4,909	5,056	5,208	5,364	5,525	5,691
West Campus - Two Bedroom - Balcony	4,505	4,641	4,780	4,923	5,071	5,223	5,380	5,541	5,707	5,879
<u>West Campus - Two Bedroom - Deluxe</u>	<u>4,639</u>	<u>4,778</u>	<u>4,921</u>	<u>5,069</u>	<u>5,221</u>	<u>5,378</u>	<u>5,539</u>	<u>5,705</u>	<u>5,876</u>	<u>6,053</u>
Average Single Monthly Service Fee	\$3,565	\$3,671	\$3,782	\$3,895	\$4,012	\$4,132	\$4,256	\$4,384	\$4,515	\$4,651

Average Couple Monthly Service Fee

Type of Unit	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Woolman and Fox - Studio - Standard	\$2,850	\$2,935	\$3,023	\$3,114	\$3,207	\$3,304	\$3,403	\$3,505	\$3,610	\$3,718
Woolman and Fox - One Bedroom - Standard	3,942	4,061	4,182	4,308	4,437	4,570	4,707	4,849	4,994	5,144
Woolman and Fox - One Bedroom - Standard	3,942	4,061	4,182	4,308	4,437	4,570	4,707	4,849	4,994	5,144
Woolman and Fox - One Bedroom - Deluxe	4,539	4,675	4,815	4,960	5,108	5,262	5,419	5,582	5,750	5,922
Woolman and Fox - Two Bedroom - Standard	4,963	5,112	5,265	5,423	5,586	5,753	5,926	6,104	6,287	6,475
Woolman and Fox - Two Bedroom - Deluxe	4,963	5,112	5,265	5,423	5,586	5,753	5,926	6,104	6,287	6,475
Woolman and Fox - Two Bedroom - Deluxe	5,119	5,273	5,431	5,594	5,761	5,934	6,112	6,296	6,485	6,679
Hobbs Hall - One Bedroom - Standard	4,112	4,235	4,362	4,493	4,628	4,767	4,910	5,057	5,209	5,365
Hobbs Hall - Two Bedroom - Standard	5,214	5,370	5,531	5,697	5,868	6,044	6,225	6,412	6,605	6,803
Hobbs Hall - Two Bedroom - Deluxe	5,520	5,686	5,857	6,032	6,213	6,400	6,592	6,789	6,993	7,203
West Campus - One Bedroom - Standard	4,051	4,172	4,297	4,426	4,559	4,696	4,837	4,982	5,131	5,285
West Campus - Two Bedroom - Standard	5,132	5,286	5,445	5,608	5,777	5,950	6,128	6,312	6,502	6,697
West Campus - Two Bedroom - Balcony	5,277	5,435	5,598	5,766	5,939	6,117	6,300	6,489	6,684	6,885
<u>West Campus - Two Bedroom - Deluxe</u>	<u>5,410</u>	<u>5,572</u>	<u>5,739</u>	<u>5,912</u>	<u>6,089</u>	<u>6,272</u>	<u>6,460</u>	<u>6,654</u>	<u>6,853</u>	<u>7,059</u>
Average ILU Couple Monthly Service Fee	\$4,336	\$4,466	\$4,600	\$4,738	\$4,880	\$5,026	\$5,177	\$5,332	\$5,492	\$5,657

Average Single Monthly Service Fee

Monthly Service Fees increase by:

3.0% 3.0% 3.0% 3.0% 3.0% 3.0%

All Contracts - Expansion	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
West Campus - Townhome 2 BR - 1,400 sq ft				\$3,551	\$3,631	\$3,740	\$3,852	\$3,968	\$4,087	\$4,210
West Campus - Townhome 2 BR with Den - 1,600 sq ft				3,715	3,799	3,913	4,030	4,151	4,276	4,404
West Campus - Cottage 3 BR - 1,800 sq ft				3,934	4,022	4,143	4,267	4,395	4,527	4,663
West Campus - Villa - 2 BR - 1,531 sq ft				3,825	3,911	4,028	4,149	4,273	4,401	4,533
West Campus - Villa - 2 BR with Den - 1,700 sq ft				4,043	4,134	4,258	4,386	4,517	4,653	4,793
West Campus - Villa - 2 BR with Den - 2,100 sq ft				4,262	4,358	4,488	4,623	4,762	4,904	5,052
Guilford - 2 BR 1,400 sq ft				3,551	3,631	3,740	3,852	3,968	4,087	4,210
<u>Guilford - 2 BR with Den 1,600 sq ft</u>				<u>3,715</u>	<u>3,799</u>	<u>3,913</u>	<u>4,030</u>	<u>4,151</u>	<u>4,276</u>	<u>4,404</u>
Average Single Monthly Service Fee				\$3,910	\$3,998	\$4,118	\$4,242	\$4,369	\$4,500	\$4,635

Average Couple Monthly Service Fee

Type of Unit	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
West Campus - Townhome 2 BR - 1,400 sq ft				\$4,426	\$4,525	\$4,661	\$4,801	\$4,945	\$5,093	\$5,246
West Campus - Townhome 2 BR with Den - 1,600 sq ft				4,589	4,693	4,833	4,979	5,128	5,282	5,440
West Campus - Cottage 3 BR - 1,800 sq ft				4,808	4,916	5,064	5,216	5,372	5,533	5,699
West Campus - Villa - 2 BR - 1,531 sq ft				4,699	4,804	4,949	5,097	5,250	5,407	5,570
West Campus - Villa - 2 BR with Den - 1,700 sq ft				4,917	5,028	5,179	5,334	5,494	5,659	5,829
West Campus - Villa - 2 BR with Den - 2,100 sq ft				5,136	5,251	5,409	5,571	5,738	5,910	6,088
Guilford - 2 BR 1,400 sq ft				4,426	4,525	4,661	4,801	4,945	5,093	5,246
<u>Guilford - 2 BR with Den 1,600 sq ft</u>				<u>4,589</u>	<u>4,693</u>	<u>4,833</u>	<u>4,979</u>	<u>5,128</u>	<u>5,282</u>	<u>5,440</u>
Average ILU Couple Monthly Service Fee				\$4,784	\$4,892	\$5,039	\$5,190	\$5,346	\$5,506	\$5,671

Average Single Monthly Service Fee

Monthly Service Fees increase by:	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
All Contracts - Expansion	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>
West Campus - Townhome 2 BR - 1,400 sq ft	\$4,336	\$4,466	\$4,600	\$4,738	\$4,880	\$5,027	\$5,177	\$5,333	\$5,493	\$5,657
West Campus - Townhome 2 BR with Den - 1,600 sq ft	4,536	4,672	4,812	4,957	5,105	5,259	5,416	5,579	5,746	5,919
West Campus - Cottage 3 BR - 1,800 sq ft	4,803	4,947	5,095	5,248	5,406	5,568	5,735	5,907	6,084	6,267
West Campus - Villa - 2 BR - 1,531 sq ft	4,669	4,810	4,954	5,102	5,256	5,413	5,576	5,743	5,915	6,093
West Campus - Villa - 2 BR with Den - 1,700 sq ft	4,936	5,084	5,237	5,394	5,556	5,723	5,894	6,071	6,253	6,441
West Campus - Villa - 2 BR with Den - 2,100 sq ft	5,203	5,359	5,520	5,686	5,856	6,032	6,213	6,399	6,591	6,789
Guilford - 2 BR 1,400 sq ft	4,336	4,466	4,600	4,738	4,880	5,027	5,177	5,333	5,493	5,657
<u>Guilford - 2 BR with Den 1,600 sq ft</u>	<u>4,536</u>	<u>4,672</u>	<u>4,812</u>	<u>4,957</u>	<u>5,105</u>	<u>5,259</u>	<u>5,416</u>	<u>5,579</u>	<u>5,746</u>	<u>5,919</u>
Average Single Monthly Service Fee	\$4,774	\$4,917	\$5,065	\$5,217	\$5,373	\$5,535	\$5,701	\$5,872	\$6,048	\$6,229

Average Couple Monthly Service Fee

Type of Unit	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>
West Campus - Townhome 2 BR - 1,400 sq ft	\$5,403	\$5,565	\$5,732	\$5,904	\$6,081	\$6,264	\$6,452	\$6,645	\$6,845	\$7,050
West Campus - Townhome 2 BR with Den - 1,600 sq ft	5,603	5,771	5,945	6,123	6,307	6,496	6,691	6,891	7,098	7,311
West Campus - Cottage 3 BR - 1,800 sq ft	5,870	6,046	6,228	6,414	6,607	6,805	7,009	7,220	7,436	7,659
West Campus - Villa - 2 BR - 1,531 sq ft	5,737	5,909	6,086	6,269	6,457	6,650	6,850	7,055	7,267	7,485
West Campus - Villa - 2 BR with Den - 1,700 sq ft	6,004	6,184	6,369	6,560	6,757	6,960	7,169	7,384	7,605	7,833
West Campus - Villa - 2 BR with Den - 2,100 sq ft	6,270	6,459	6,652	6,852	7,057	7,269	7,487	7,712	7,943	8,181
Guilford - 2 BR 1,400 sq ft	5,403	5,565	5,732	5,904	6,081	6,264	6,452	6,645	6,845	7,050
<u>Guilford - 2 BR with Den 1,600 sq ft</u>	<u>5,603</u>	<u>5,771</u>	<u>5,945</u>	<u>6,123</u>	<u>6,307</u>	<u>6,496</u>	<u>6,691</u>	<u>6,891</u>	<u>7,098</u>	<u>7,311</u>
Average ILU Couple Monthly Service Fee	\$5,841	\$6,017	\$6,197	\$6,383	\$6,575	\$6,772	\$6,975	\$7,184	\$7,400	\$7,622

Average Health Care Center Revenue

Assisted Living Per Diem Fees increase by:	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Skilled Nursing Per Diem Fees increase by:	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Medicaid/Medicare Per Diem Fees increase by:	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

<u>Type of Patient</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Assisted Living - Private Pay Monthly										
Standard Private	\$3,877	\$3,993	\$4,113	\$4,236	\$4,364	\$4,494	\$4,629	\$4,768	\$4,911	\$5,059
Deluxe Private	4,739	4,881	5,027	5,178	5,333	5,493	5,658	5,828	6,003	6,183
Assisted Living - Private Pay Monthly Average	\$3,989	\$4,109	\$4,232	\$4,359	\$4,490	\$4,625	\$4,763	\$4,906	\$5,054	\$5,205
Assisted Living - Type C - 1st Person	\$3,989	\$4,109	\$4,232	\$4,359	\$4,490	\$4,625	\$4,763	\$4,906	\$5,054	\$5,205
Assisted Living - Type C - 2nd Person	3,989	4,109	4,232	4,359	4,490	4,625	4,763	4,906	5,054	5,205
Skilled Nursing Facility - Private Pay Per Month	\$8,588	\$8,846	\$9,111	\$9,385	\$9,666	\$9,956	\$10,255	\$10,563	\$10,879	\$11,206
Skilled Nursing Facility - Medicaid Per Month	4,566	4,611	4,657	4,704	4,751	4,799	4,847	4,895	4,944	4,993
Skilled Nursing Facility - Medicare Per Month	11,749	11,866	11,985	12,105	12,226	12,348	12,472	12,596	12,722	12,850
Skilled Nursing - Type C - 1st Person	\$8,588	\$8,846	\$9,111	\$9,385	\$9,666	\$9,956	\$10,255	\$10,563	\$10,879	\$11,206
Skilled Nursing - Type C - 2nd Person	8,588	8,846	9,111	9,385	9,666	9,956	10,255	10,563	10,879	11,206

Average Health Care Center Revenue

Assisted Living Per Diem Fees increase by:	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Skilled Nursing Per Diem Fees increase by:	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Medicaid/Medicare Per Diem Fees increase by:	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

<u>Type of Patient</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>
Assisted Living - Private Pay Monthly										
Standard Private	\$5,210	\$5,367	\$5,528	\$5,693	\$5,864	\$6,040	\$6,221	\$6,408	\$6,600	\$6,798
Deluxe Private	6,368	6,559	6,756	6,959	7,168	7,383	7,604	7,832	8,067	8,309
Assisted Living - Private Pay Monthly Average	\$5,361	\$5,522	\$5,688	\$5,858	\$6,034	\$6,215	\$6,402	\$6,594	\$6,792	\$6,995
Assisted Living - Type C - 1st Person	\$5,361	\$5,522	\$5,688	\$5,858	\$6,034	\$6,215	\$6,402	\$6,594	\$6,792	\$6,995
Assisted Living - Type C - 2nd Person	5,361	5,522	5,688	5,858	6,034	6,215	6,402	6,594	6,792	6,995
Skilled Nursing Facility - Private Pay Per Month	\$11,542	\$11,888	\$12,245	\$12,612	\$12,991	\$13,380	\$13,782	\$14,195	\$14,621	\$15,060
Skilled Nursing Facility - Medicaid Per Month	5,043	5,094	5,145	5,196	5,248	5,301	5,354	5,407	5,461	5,516
Skilled Nursing Facility - Medicare Per Month	12,978	13,108	13,239	13,371	13,505	13,640	13,776	13,914	14,053	14,194
Skilled Nursing - Type C - 1st Person	\$11,542	\$11,888	\$12,245	\$12,612	\$12,991	\$13,380	\$13,782	\$14,195	\$14,621	\$15,060
Skilled Nursing - Type C - 2nd Person	11,542	11,888	12,245	12,612	12,991	13,380	13,782	14,195	14,621	15,060

<u>Investment Income</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Beginning Assets	\$43,097,013	\$43,137,113	\$116,267,262	\$82,156,013	\$77,653,362	\$53,406,356	\$58,234,314	\$64,564,851	\$72,272,043	\$81,032,542
1/2 Annual Operating Activity	(1,362,994)	34,598,780	(19,351,499)	(4,215,733)	(27,699,226)	377,436	993,325	1,524,657	1,868,703	2,068,243
Investment Income Rate	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Sub-total Investment Income	1,252,021	2,332,077	2,907,473	2,338,208	1,498,624	1,613,514	1,776,829	1,982,685	2,224,222	2,493,024
Interest on Interest	19,066	35,514	44,276	35,607	22,822	24,571	27,058	30,193	33,871	37,965
Investment Income	<u>1,271,087</u>	<u>2,367,591</u>	<u>2,951,749</u>	<u>2,373,816</u>	<u>1,521,446</u>	<u>1,638,085</u>	<u>1,803,887</u>	<u>2,012,878</u>	<u>2,258,094</u>	<u>2,530,988</u>
Ending Assets	<u>\$43,137,113</u>	<u>\$116,267,262</u>	<u>\$82,156,013</u>	<u>\$77,653,362</u>	<u>\$53,406,356</u>	<u>\$58,234,314</u>	<u>\$64,564,851</u>	<u>\$72,272,043</u>	<u>\$81,032,542</u>	<u>\$90,590,016</u>

<u>Investment Income</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>
Beginning Assets	\$90,590,016	\$100,712,508	\$111,465,254	\$122,786,834	\$134,638,764	\$146,985,386	\$162,573,786	\$178,734,019	\$195,469,247	\$212,777,681
1/2 Annual Operating Activity	2,136,664	2,231,202	2,281,112	2,298,611	2,285,667	4,938,144	4,958,858	4,972,552	4,974,278	4,967,078
Investment Income Rate	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Sub-total Investment Income	2,781,800	3,088,311	3,412,391	3,752,563	4,107,733	4,557,706	5,025,979	5,511,197	6,013,306	6,532,343
Interest on Interest	42,362	47,030	51,965	57,145	62,554	69,406	76,537	83,927	91,573	99,477
Investment Income	<u>2,824,163</u>	<u>3,135,341</u>	<u>3,464,356</u>	<u>3,809,709</u>	<u>4,170,287</u>	<u>4,627,112</u>	<u>5,102,517</u>	<u>5,595,124</u>	<u>6,104,879</u>	<u>6,631,820</u>
Ending Assets	<u>\$100,712,508</u>	<u>\$111,465,254</u>	<u>\$122,786,834</u>	<u>\$134,638,764</u>	<u>\$146,985,386</u>	<u>\$162,573,786</u>	<u>\$178,734,019</u>	<u>\$195,469,247</u>	<u>\$212,777,681</u>	<u>\$230,658,657</u>

Revenue Projection	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
60 Month Declining Refund										
ILU Entrance Fees Received	\$4,669,235	\$5,292,534	\$5,422,757	\$5,543,379	\$5,703,741	\$5,907,355	\$6,133,599	\$6,379,609	\$6,636,810	\$6,898,634
<u>Entrance Fees Refunded</u>	<u>(749,616)</u>	<u>(713,323)</u>	<u>(605,913)</u>	<u>(454,141)</u>	<u>(370,293)</u>	<u>(383,901)</u>	<u>(395,914)</u>	<u>(409,891)</u>	<u>(425,693)</u>	<u>(442,758)</u>
Net Entrance Fees	\$3,919,620	\$4,579,210	\$4,816,844	\$5,089,238	\$5,333,447	\$5,523,454	\$5,737,684	\$5,969,718	\$6,211,117	\$6,455,876
60 Month Declining Refund - Expansion										
ILU Entrance Fees Received	\$0	\$0	\$0	\$28,081,970	\$1,345,588	\$2,485,604	\$3,132,744	\$3,753,364	\$4,299,070	\$4,735,985
<u>Entrance Fees Refunded</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(302,054)</u>	<u>(535,129)</u>	<u>(565,099)</u>	<u>(529,184)</u>	<u>(349,060)</u>	<u>(219,992)</u>	<u>(263,710)</u>
Net Entrance Fees	\$0	\$0	\$0	\$27,779,915	\$810,460	\$1,920,505	\$2,603,560	\$3,404,304	\$4,079,078	\$4,472,275
Independent Living Monthly Service Fees	\$11,476,629	\$11,712,099	\$12,048,717	\$12,402,288	\$12,768,286	\$13,145,782	\$13,535,528	\$13,938,502	\$14,355,434	\$14,786,704
Independent Living Monthly Service Fees - Expansion	0	0	0	1,747,244	4,633,367	4,740,064	4,824,372	4,926,500	5,045,589	5,179,610
Assisted Living Private Pay Fees	367,297	516,205	640,505	658,736	542,507	264,240	0	0	0	0
Assisted Living Lifecare Fees	3,634,803	3,722,325	3,798,315	3,885,585	3,998,706	4,146,603	4,323,504	4,514,366	4,708,139	4,901,362
Assisted Living Lifecare Fees - Expansion	0	0	0	27,663	167,931	439,575	721,653	938,971	1,106,214	1,236,200
Skilled Nursing Private Pay Fees	1,312,846	1,457,679	1,628,417	1,741,465	1,643,023	1,253,923	1,161,235	1,217,984	1,277,290	1,331,768
Skilled Nursing Lifecare Fees	9,436,004	9,596,661	9,736,607	9,909,431	10,145,639	10,449,492	10,837,632	11,313,845	11,837,989	12,375,355
Skilled Nursing Lifecare Fees - Expansion	0	0	0	44,593	280,461	780,183	1,393,136	1,972,161	2,480,208	2,902,963
Ancillary and Other Income	786,827	810,149	835,577	912,510	1,025,398	1,056,596	1,103,912	1,164,670	1,224,326	1,281,419
<u>Investment Income</u>	<u>1,271,087</u>	<u>2,367,591</u>	<u>2,951,749</u>	<u>2,373,816</u>	<u>1,521,446</u>	<u>1,638,085</u>	<u>1,803,887</u>	<u>2,012,878</u>	<u>2,258,094</u>	<u>2,530,988</u>
Total Revenues	\$32,205,112	\$34,761,919	\$36,456,731	\$66,572,483	\$42,870,671	\$45,358,503	\$48,046,105	\$51,373,899	\$54,583,477	\$57,454,520
Cash Provided by Finance Activities	0	72,520,000	0	0	0	0	0	0	0	0
Total Cash Inflow	\$32,205,112	\$107,281,919	\$36,456,731	\$66,572,483	\$42,870,671	\$45,358,503	\$48,046,105	\$51,373,899	\$54,583,477	\$57,454,520

Revenue Projection	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
60 Month Declining Refund										
ILU Entrance Fees Received	\$7,156,683	\$7,408,796	\$7,652,185	\$7,893,824	\$8,134,258	\$8,376,478	\$8,628,093	\$8,889,646	\$9,160,677	\$9,441,393
Entrance Fees Refunded	<u>(460,544)</u>	<u>(478,609)</u>	<u>(496,574)</u>	<u>(514,252)</u>	<u>(531,638)</u>	<u>(548,843)</u>	<u>(566,102)</u>	<u>(583,669)</u>	<u>(601,738)</u>	<u>(620,450)</u>
Net Entrance Fees	\$6,696,138	\$6,930,187	\$7,155,611	\$7,379,572	\$7,602,621	\$7,827,635	\$8,061,991	\$8,305,977	\$8,558,939	\$8,820,943
60 Month Declining Refund - Expansion										
ILU Entrance Fees Received	\$5,054,671	\$5,298,205	\$5,486,934	\$5,635,297	\$5,757,378	\$5,865,410	\$5,972,334	\$6,081,982	\$6,197,524	\$6,317,280
Entrance Fees Refunded	<u>(299,174)</u>	<u>(328,372)</u>	<u>(351,303)</u>	<u>(368,911)</u>	<u>(382,573)</u>	<u>(393,536)</u>	<u>(402,777)</u>	<u>(411,110)</u>	<u>(419,160)</u>	<u>(427,317)</u>
Net Entrance Fees	\$4,755,497	\$4,969,834	\$5,135,631	\$5,266,386	\$5,374,805	\$5,471,874	\$5,569,557	\$5,670,872	\$5,778,364	\$5,889,964
Independent Living Monthly Service Fees	\$15,232,329	\$15,692,088	\$16,165,745	\$16,653,228	\$17,154,696	\$17,670,464	\$18,201,065	\$18,747,156	\$19,309,375	\$19,888,332
Independent Living Monthly Service Fees - Expansion	5,326,022	5,482,474	5,647,078	5,818,312	5,995,125	6,176,943	6,363,617	6,555,281	6,752,194	6,954,659
Assisted Living Private Pay Fees	0	0	0	0	0	0	0	0	0	0
Assisted Living Lifecare Fees	5,093,997	5,284,567	5,471,767	5,656,121	5,838,131	6,017,965	6,199,028	6,385,610	6,579,634	6,781,633
Assisted Living Lifecare Fees - Expansion	1,339,314	1,422,253	1,489,881	1,547,251	1,598,246	1,645,440	1,691,460	1,738,639	1,788,026	1,839,687
Skilled Nursing Private Pay Fees	1,380,243	1,426,764	1,472,317	1,516,572	1,562,201	1,608,905	1,656,672	1,706,360	1,758,031	1,811,581
Skilled Nursing Lifecare Fees	12,908,978	13,435,459	13,955,543	14,467,641	14,965,315	15,451,744	15,932,466	16,414,346	16,908,638	17,425,424
Skilled Nursing Lifecare Fees - Expansion	3,241,665	3,511,889	3,734,435	3,924,910	4,091,542	4,241,135	4,379,640	4,511,743	4,643,340	4,779,305
Ancillary and Other Income	1,335,676	1,387,665	1,438,103	1,487,521	1,536,158	1,584,378	1,632,718	1,681,774	1,732,177	1,784,419
<u>Investment Income</u>	<u>2,824,163</u>	<u>3,135,341</u>	<u>3,464,356</u>	<u>3,809,709</u>	<u>4,170,287</u>	<u>4,627,112</u>	<u>5,102,517</u>	<u>5,595,124</u>	<u>6,104,879</u>	<u>6,631,820</u>
Total Revenues	\$60,134,023	\$62,678,521	\$65,130,467	\$67,527,223	\$69,889,124	\$72,323,595	\$74,790,729	\$77,312,882	\$79,913,596	\$82,607,765
Cash Provided by Finance Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Cash Inflow	\$60,134,023	\$62,678,521	\$65,130,467	\$67,527,223	\$69,889,124	\$72,323,595	\$74,790,729	\$77,312,882	\$79,913,596	\$82,607,765

Expense Projection	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Construction Cost			33,500,000	33,500,000						
Development Fee			432,500	427,500						
Administration	4,971,712	5,120,863	5,274,489	5,432,724	5,595,706	\$5,763,577	\$5,936,484	\$6,114,579	\$6,298,016	\$6,486,956
Marketing	652,306	671,875	692,031	712,792	734,176	756,201	778,887	802,254	826,322	851,111
Dietary	4,990,192	5,139,898	5,294,095	5,452,918	5,616,505	5,785,000	5,958,550	6,137,307	6,321,426	6,511,069
Resident Services	911,116	938,449	966,603	995,601	1,025,469	1,056,233	1,087,920	1,120,558	1,154,174	1,188,800
Wellness	117,988	121,528	125,173	128,929	132,797	136,780	140,884	145,110	149,464	153,948
Resident Care	7,504,361	7,729,492	7,961,377	8,200,218	8,446,224	8,699,611	8,960,599	9,229,417	9,506,300	9,791,489
Maintenance And Grounds	3,805,122	3,919,276	4,036,854	4,157,960	4,282,698	4,411,179	4,543,515	4,679,820	4,820,215	4,964,821
Housekeeping, Laundry and Security	1,977,483	2,036,807	2,097,912	2,160,849	2,225,675	2,292,445	2,361,218	2,432,055	2,505,016	2,580,167
Management Services Fee	1,221,684	1,286,992	1,387,599	1,492,243	1,545,458	1,600,172	1,656,559	1,714,735	1,774,789	1,836,798
Resident Services - Expansion	0	0	0	10,590	28,572	29,430	30,312	31,222	32,158	33,123
Dining - Expansion	0	0	0	111,851	303,275	312,374	321,745	331,397	341,339	351,579
Wellness - Expansion	0	0	0	3,131	8,414	8,666	8,926	9,194	9,470	9,754
Environmental Services - Expansion	0	0	0	13,968	37,635	38,764	39,927	41,125	42,359	43,629
Maintenance - Expansion	0	0	0	182,695	492,329	507,099	522,312	537,981	554,121	570,744
Administration - Expansion	0	0	0	8,322	22,553	23,230	23,927	24,645	25,384	26,146
Human Resources - Expansion	0	0	0	6,814	18,310	18,860	19,425	20,008	20,609	21,227
Marketing - Expansion	0	0	0	19,075	51,255	52,793	54,377	56,008	57,688	59,419
IT - Expansion	0	0	0	13,365	35,913	36,990	38,100	39,243	40,420	41,633
Employee Benefits & Liability Insurance - Expansion	0	0	0	31,701	85,180	87,736	90,368	93,079	95,871	98,747
Management Services - Expansion	0	0	0	87,492	235,105	242,158	249,423	256,906	264,613	272,551
Wages - Expansion	0	0	0	528,806	1,089,341	1,122,021	1,155,681	1,190,352	1,226,062	1,262,844
Commissions - Expansion	0	0	0	110,000	0	0	1,163	2,325	3,488	4,650
Outside Nursing	0	0	0	0	0	0	0	724,842	1,600,381	2,343,905
Interest	1,190,686	2,204,877	3,282,343	3,930,589	3,524,409	3,000,261	2,904,342	2,804,853	2,697,777	2,586,198
Principal Repayment	1,495,000	1,565,000	1,640,000	1,555,000	29,630,000	2,435,000	2,540,000	2,645,000	2,765,000	2,890,000
Capital Expenditures	<u>3,327,363</u>	<u>3,416,712</u>	<u>3,877,005</u>	<u>1,800,000</u>	<u>1,950,676</u>	<u>2,113,965</u>	<u>2,290,922</u>	<u>2,482,693</u>	<u>2,690,516</u>	<u>2,915,736</u>
Total Cash Outflow	\$32,165,013	\$34,151,770	\$70,567,981	\$71,075,133	\$67,117,677	\$40,530,545	\$41,715,568	\$43,666,707	\$45,822,978	\$47,897,045
Net Cash Flow	<u>\$40,100</u>	<u>\$73,130,150</u>	<u>(\$34,111,250)</u>	<u>(\$4,502,650)</u>	<u>(\$24,247,006)</u>	<u>\$4,827,958</u>	<u>\$6,330,537</u>	<u>\$7,707,191</u>	<u>\$8,760,499</u>	<u>\$9,557,475</u>
Cumulative Cash Flow	\$43,137,113	\$116,267,262	\$82,156,013	\$77,653,362	\$53,406,356	\$58,234,314	\$64,564,851	\$72,272,043	\$81,032,542	\$90,590,016
Cumulative Cash Flow (in 2019\$)	43,137,113	110,730,726	74,517,925	67,079,894	43,937,541	45,628,109	48,179,286	51,362,391	54,846,014	58,395,132

Expense Projection	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>
Construction Cost										
Development Fee										
Administration	\$6,681,565	\$6,882,012	\$7,088,473	\$7,301,127	\$7,520,160	\$7,745,765	\$7,978,138	\$8,217,482	\$8,464,007	\$8,717,927
Marketing	876,645	902,944	930,032	957,933	986,671	1,016,271	1,046,760	1,078,162	1,110,507	1,143,823
Dietary	6,706,401	6,907,593	7,114,821	7,328,265	7,548,113	7,774,557	8,007,793	8,248,027	8,495,468	8,750,332
Resident Services	1,224,464	1,261,198	1,299,034	1,338,005	1,378,145	1,419,489	1,462,074	1,505,936	1,551,114	1,597,647
Wellness	158,566	163,323	168,223	173,269	178,467	183,821	189,336	195,016	200,867	206,893
Resident Care	10,085,234	10,387,791	10,699,424	11,020,407	11,351,019	11,691,550	12,042,296	12,403,565	12,775,672	13,158,942
Maintenance And Grounds	5,113,766	5,267,179	5,425,194	5,587,950	5,755,588	5,928,256	6,106,104	6,289,287	6,477,965	6,672,304
Housekeeping, Laundry and Security	2,657,572	2,737,299	2,819,418	2,904,000	2,991,120	3,080,854	3,173,280	3,268,478	3,366,532	3,467,528
Management Services Fee	2,025,842	2,086,617	2,149,216	2,213,692	2,280,103	2,348,506	2,418,961	2,491,530	2,566,276	2,643,264
Resident Services - Expansion	34,117	35,140	36,195	37,281	38,399	39,551	40,737	41,960	43,218	44,515
Dining - Expansion	362,127	372,991	384,180	395,706	407,577	419,804	432,398	445,370	458,731	472,493
Wellness - Expansion	10,047	10,348	10,659	10,978	11,308	11,647	11,996	12,356	12,727	13,109
Environmental Services - Expansion	44,938	46,287	47,675	49,105	50,579	52,096	53,659	55,269	56,927	58,634
Maintenance - Expansion	587,867	605,503	623,668	642,378	661,649	681,499	701,944	723,002	744,692	767,033
Administration - Expansion	26,930	27,738	28,570	29,427	30,310	31,219	32,156	33,120	34,114	35,137
Human Resources - Expansion	21,864	22,519	23,195	23,891	24,608	25,346	26,106	26,889	27,696	28,527
Marketing - Expansion	61,201	63,037	64,928	66,876	68,883	70,949	73,077	75,270	77,528	79,854
IT - Expansion	42,882	44,168	45,493	46,858	48,264	49,712	51,203	52,739	54,321	55,951
Employee Benefits & Liability Insurance - Expansion	101,710	104,761	107,904	111,141	114,475	117,909	121,447	125,090	128,843	132,708
Management Services - Expansion	280,728	289,150	297,824	306,759	315,962	325,440	335,204	345,260	355,618	366,286
Wages - Expansion	1,300,730	1,339,752	1,379,944	1,421,342	1,463,983	1,507,902	1,553,139	1,599,733	1,647,725	1,697,157
Commissions - Expansion	5,813	8,138	10,463	10,776	11,100	11,433	11,776	12,129	12,493	12,868
Outside Nursing	2,948,342	3,434,602	3,828,222	4,147,902	4,401,903	4,602,053	4,765,235	4,909,847	5,055,411	5,216,706
Interest	2,467,375	2,346,375	2,220,175	2,083,625	1,940,875	1,791,500	1,737,250	1,680,250	1,620,500	1,557,750
Principal Repayment	3,025,000	3,155,000	3,295,000	3,445,000	3,605,000	1,085,000	1,140,000	1,195,000	1,255,000	1,315,000
Capital Expenditures	<u>3,159,809</u>	<u>3,424,313</u>	<u>3,710,958</u>	<u>4,021,598</u>	<u>4,358,242</u>	<u>4,723,065</u>	<u>5,118,428</u>	<u>5,546,885</u>	<u>6,011,209</u>	<u>6,514,400</u>
Total Cash Outflow	\$50,011,531	\$51,925,776	\$53,808,887	\$55,675,292	\$57,542,502	\$56,735,195	\$58,630,496	\$60,577,654	\$62,605,162	\$64,726,789
Net Cash Flow	<u>\$10,122,492</u>	<u>\$10,752,746</u>	<u>\$11,321,580</u>	<u>\$11,851,930</u>	<u>\$12,346,622</u>	<u>\$15,588,400</u>	<u>\$16,160,233</u>	<u>\$16,735,228</u>	<u>\$17,308,434</u>	<u>\$17,880,976</u>
Cumulative Cash Flow	\$100,712,508	\$111,465,254	\$122,786,834	\$134,638,764	\$146,985,386	\$162,573,786	\$178,734,019	\$195,469,247	\$212,777,681	\$230,658,657
Cumulative Cash Flow (in 2019\$)	61,828,743	65,171,425	68,372,304	71,401,811	74,237,608	78,200,771	81,880,113	85,282,585	88,413,521	91,279,463

APPENDIX A

OPEN GROUP PROJECTION

As of September 30, 2018

Friends Homes -- Open Group Projection

Fiscal Year Ending 9/30	Community Occupancy Summary					
	Independent Living Unit					
	Number of Residents	Number of Units	Occupancy Rate	Density Ratio	Units Released	New Units Occupied
2019	418.3	340.8	96.0%	1.23	55.1	50.9
2020	415.5	340.8	96.0%	1.22	56.1	56.1
2021	414.2	340.8	96.0%	1.22	55.8	55.8
2022	413.4	340.8	96.0%	1.21	55.3	55.3
2023	412.7	340.8	96.0%	1.21	55.3	55.3
2024	412.0	340.8	96.0%	1.21	55.6	55.6
2025	411.6	340.8	96.0%	1.21	56.0	56.0
2026	411.3	340.8	96.0%	1.21	56.6	56.6
2027	411.3	340.8	96.0%	1.21	57.2	57.2
2028	411.4	340.8	96.0%	1.21	57.7	57.7
2029	411.7	340.8	96.0%	1.21	58.1	58.1
2030	412.0	340.8	96.0%	1.21	58.4	58.4
2031	412.3	340.8	96.0%	1.21	58.6	58.6
2032	412.5	340.8	96.0%	1.21	58.6	58.6
2033	412.7	340.8	96.0%	1.21	58.7	58.7
2034	412.7	340.8	96.0%	1.21	58.7	58.7
2035	412.8	340.8	96.0%	1.21	58.7	58.7
2036	412.7	340.8	96.0%	1.21	58.7	58.7
2037	412.7	340.8	96.0%	1.21	58.7	58.7
2038	412.7	340.8	96.0%	1.21	58.7	58.7
2039	412.7	340.8	96.0%	1.21	58.8	58.8
2040	412.6	340.8	96.0%	1.21	58.8	58.8
2041	412.6	340.8	96.0%	1.21	58.9	58.9
2042	412.6	340.8	96.0%	1.21	58.9	58.9
2043	412.6	340.8	96.0%	1.21	59.0	59.0
2044	412.5	340.8	96.0%	1.21	59.0	59.0
2045	412.5	340.8	96.0%	1.21	59.1	59.1
2046	412.5	340.8	96.0%	1.21	59.1	59.1
2047	412.5	340.8	96.0%	1.21	59.2	59.2
2048	412.5	340.8	96.0%	1.21	59.2	59.2

Friends Homes -- Open Group Projection

Fiscal Year Ending 9/30	Community Occupancy Summary							
	Assisted Living Unit				Skilled Nursing Facility			
	Number of Permanent Residents	2nd Person Subset Permanent	Number of Temporary Residents	Occupancy Rate	Number of Permanent Residents	2nd Person Subset Permanent	Number of Temporary Residents	Occupancy Rate
2019	75.9	15.6	0.0	82.5%	91.1	17.1	8.5	91.4%
2020	75.1	19.6	0.0	81.7%	89.7	22.0	8.1	89.7%
2021	74.4	20.1	0.0	80.9%	88.4	25.0	7.9	88.3%
2022	74.1	19.8	0.0	80.6%	87.6	26.4	7.7	87.4%
2023	74.3	19.7	0.0	80.8%	87.4	26.8	7.6	87.1%
2024	75.1	19.8	0.0	81.6%	87.6	27.0	7.6	87.3%
2025	76.2	19.9	0.0	82.8%	88.6	27.1	7.6	88.3%
2026	77.2	19.9	0.0	83.9%	90.0	27.2	7.7	89.6%
2027	78.1	19.9	0.0	84.9%	91.4	27.2	7.8	91.0%
2028	78.9	19.9	0.0	85.7%	92.7	27.2	7.8	92.2%
2029	79.5	19.9	0.0	86.4%	93.7	27.2	7.9	93.2%
2030	80.0	20.0	0.0	87.0%	94.6	27.3	7.9	94.0%
2031	80.3	20.0	0.0	87.3%	95.3	27.3	7.9	94.7%
2032	80.6	20.1	0.0	87.6%	95.8	27.4	7.9	95.2%
2033	80.7	20.2	0.0	87.7%	96.2	27.5	7.9	95.5%
2034	80.7	20.3	0.0	87.7%	96.3	27.6	7.9	95.6%
2035	80.7	20.3	0.0	87.7%	96.4	27.7	7.9	95.7%
2036	80.7	20.4	0.0	87.7%	96.4	27.8	7.9	95.7%
2037	80.8	20.4	0.0	87.8%	96.4	27.8	7.9	95.7%
2038	80.8	20.4	0.0	87.8%	96.5	27.9	7.9	95.8%
2039	80.9	20.4	0.0	87.9%	96.6	27.9	7.9	95.9%
2040	81.0	20.5	0.0	88.0%	96.7	27.9	7.9	95.9%
2041	81.0	20.5	0.0	88.1%	96.8	27.9	7.9	96.0%
2042	81.1	20.5	0.0	88.2%	96.8	28.0	7.9	96.1%
2043	81.2	20.5	0.0	88.2%	96.9	28.0	7.9	96.2%
2044	81.3	20.5	0.0	88.3%	97.0	28.0	7.9	96.3%
2045	81.3	20.5	0.0	88.4%	97.1	28.0	7.9	96.3%
2046	81.4	20.5	0.0	88.5%	97.1	28.0	7.9	96.4%
2047	81.4	20.6	0.0	88.5%	97.2	28.0	7.9	96.5%
2048	81.5	20.6	0.0	88.6%	97.3	28.1	8.0	96.6%

Friends Homes -- Open Group Projection

Fiscal Year Ending 9/30	Number of Days In Each Level of Care							
	Independent Living Unit Days	Assisted Living Unit			Skilled Nursing Facility			
		Permanent Days		Temporary Contract Days	Permanent Days		Temporary Days	
		Contract Residents	2nd Person Subset		Contract Residents	2nd Person Subset	Contract Residents	Direct Admit Residents
2019	155,101	27,733	3,038	0	33,442	5,860	3,091	0
2020	152,275	27,573	6,434	0	33,020	7,146	2,963	0
2021	151,537	27,317	7,243	0	32,526	8,598	2,871	0
2022	151,154	27,130	7,283	0	32,139	9,389	2,806	0
2023	150,868	27,107	7,216	0	31,947	9,719	2,783	0
2024	150,614	27,291	7,209	0	31,945	9,838	2,781	0
2025	150,408	27,626	7,240	0	32,167	9,886	2,792	0
2026	150,275	28,006	7,268	0	32,602	9,916	2,810	0
2027	150,224	28,357	7,281	0	33,119	9,935	2,836	0
2028	150,248	28,661	7,282	0	33,614	9,943	2,858	0
2029	150,328	28,920	7,282	0	34,042	9,947	2,875	0
2030	150,435	29,128	7,289	0	34,399	9,954	2,883	0
2031	150,543	29,281	7,307	0	34,690	9,971	2,888	0
2032	150,634	29,386	7,332	0	34,915	10,000	2,887	0
2033	150,699	29,448	7,361	0	35,064	10,034	2,886	0
2034	150,738	29,471	7,389	0	35,149	10,069	2,886	0
2035	150,754	29,474	7,413	0	35,187	10,103	2,887	0
2036	150,756	29,477	7,431	0	35,196	10,131	2,888	0
2037	150,749	29,488	7,445	0	35,200	10,154	2,889	0
2038	150,740	29,508	7,455	0	35,219	10,171	2,890	0
2039	150,729	29,534	7,463	0	35,252	10,183	2,892	0
2040	150,718	29,561	7,469	0	35,287	10,193	2,893	0
2041	150,709	29,589	7,475	0	35,322	10,201	2,895	0
2042	150,700	29,616	7,480	0	35,355	10,207	2,896	0
2043	150,693	29,642	7,485	0	35,386	10,214	2,898	0
2044	150,685	29,666	7,491	0	35,415	10,220	2,899	0
2045	150,678	29,689	7,496	0	35,443	10,227	2,901	0
2046	150,671	29,712	7,502	0	35,470	10,234	2,902	0
2047	150,664	29,734	7,508	0	35,497	10,241	2,903	0
2048	150,657	29,755	7,514	0	35,523	10,248	2,905	0

Friends Homes -- Open Group Projection

Fiscal Year Ending 9/30	Average Age of Residents at the End of the Year									
	Independent Living Unit		Assisted Living Unit				Skilled Nursing Facility			
			Contract Residents		Direct Admit Residents		Contract Residents		Direct Admit Residents	
	Males	Females	Males	Females	Males	Females	Males	Females	Males	Females
2019	87.62	86.27	90.80	91.06	N/A	N/A	89.70	91.47	N/A	N/A
2020	87.43	86.34	90.86	90.84	N/A	N/A	90.53	91.68	N/A	N/A
2021	87.27	86.43	90.84	90.46	N/A	N/A	90.83	91.66	N/A	N/A
2022	87.17	86.56	90.69	90.08	N/A	N/A	90.90	91.47	N/A	N/A
2023	87.12	86.69	90.46	89.79	N/A	N/A	90.85	91.20	N/A	N/A
2024	87.09	86.82	90.24	89.64	N/A	N/A	90.75	90.94	N/A	N/A
2025	87.09	86.95	90.09	89.61	N/A	N/A	90.64	90.79	N/A	N/A
2026	87.09	87.05	90.00	89.65	N/A	N/A	90.56	90.74	N/A	N/A
2027	87.10	87.14	89.97	89.74	N/A	N/A	90.51	90.76	N/A	N/A
2028	87.10	87.20	89.98	89.85	N/A	N/A	90.48	90.82	N/A	N/A
2029	87.11	87.25	90.01	89.96	N/A	N/A	90.48	90.92	N/A	N/A
2030	87.11	87.27	90.04	90.06	N/A	N/A	90.48	91.02	N/A	N/A
2031	87.11	87.29	90.06	90.15	N/A	N/A	90.50	91.13	N/A	N/A
2032	87.12	87.29	90.07	90.21	N/A	N/A	90.51	91.23	N/A	N/A
2033	87.13	87.29	90.08	90.25	N/A	N/A	90.53	91.30	N/A	N/A
2034	87.14	87.30	90.09	90.26	N/A	N/A	90.54	91.34	N/A	N/A
2035	87.15	87.30	90.09	90.27	N/A	N/A	90.55	91.36	N/A	N/A
2036	87.16	87.30	90.10	90.26	N/A	N/A	90.56	91.36	N/A	N/A
2037	87.17	87.31	90.11	90.25	N/A	N/A	90.57	91.36	N/A	N/A
2038	87.18	87.31	90.12	90.25	N/A	N/A	90.58	91.36	N/A	N/A
2039	87.19	87.32	90.13	90.25	N/A	N/A	90.59	91.36	N/A	N/A
2040	87.19	87.33	90.14	90.26	N/A	N/A	90.60	91.37	N/A	N/A
2041	87.20	87.34	90.15	90.26	N/A	N/A	90.61	91.37	N/A	N/A
2042	87.20	87.35	90.15	90.27	N/A	N/A	90.62	91.37	N/A	N/A
2043	87.21	87.36	90.16	90.27	N/A	N/A	90.62	91.38	N/A	N/A
2044	87.22	87.36	90.17	90.28	N/A	N/A	90.63	91.39	N/A	N/A
2045	87.22	87.37	90.17	90.29	N/A	N/A	90.64	91.39	N/A	N/A
2046	87.23	87.38	90.17	90.29	N/A	N/A	90.64	91.40	N/A	N/A
2047	87.23	87.39	90.18	90.30	N/A	N/A	90.65	91.41	N/A	N/A
2048	87.24	87.40	90.18	90.31	N/A	N/A	90.65	91.41	N/A	N/A

Friends Homes -- Open Group Projection

Fiscal Year Ending 9/30	Summary of the Independent Living Unit Population Movements						
	Beginning Number of Residents	New Entrants	Deaths	Withdrawals	Permanent Transfers to Assisted Living Unit	Permanent Transfers to Skilled Nursing Facility	Ending Number of Permanent Residents
2019	431.0	71.3	9.6	4.0	44.3	26.1	418.3
2020	418.3	78.5	9.3	4.2	42.6	25.2	415.5
2021	415.5	78.1	9.1	4.4	41.4	24.4	414.2
2022	414.2	77.5	9.0	4.5	40.8	24.0	413.4
2023	413.4	77.4	9.0	4.6	40.8	23.8	412.7
2024	412.7	77.8	8.9	4.6	41.2	23.8	412.0
2025	412.0	78.5	8.9	4.6	41.6	23.8	411.6
2026	411.6	79.2	8.9	4.6	42.1	23.9	411.3
2027	411.3	80.0	9.0	4.6	42.5	24.0	411.3
2028	411.3	80.8	9.0	4.6	42.8	24.2	411.4
2029	411.4	81.3	9.0	4.6	43.0	24.4	411.7
2030	411.7	81.7	9.1	4.6	43.2	24.5	412.0
2031	412.0	82.0	9.1	4.6	43.3	24.7	412.3
2032	412.3	82.1	9.1	4.6	43.3	24.8	412.5
2033	412.5	82.1	9.1	4.6	43.4	24.8	412.7
2034	412.7	82.1	9.2	4.6	43.4	24.8	412.7
2035	412.7	82.1	9.2	4.6	43.4	24.9	412.8
2036	412.8	82.1	9.2	4.6	43.5	24.9	412.7
2037	412.7	82.2	9.2	4.6	43.5	24.9	412.7
2038	412.7	82.2	9.2	4.6	43.6	24.9	412.7
2039	412.7	82.3	9.2	4.6	43.6	24.9	412.7
2040	412.7	82.4	9.2	4.6	43.6	24.9	412.6
2041	412.6	82.4	9.2	4.6	43.7	24.9	412.6
2042	412.6	82.5	9.2	4.6	43.7	25.0	412.6
2043	412.6	82.6	9.2	4.6	43.8	25.0	412.6
2044	412.6	82.6	9.2	4.6	43.8	25.0	412.5
2045	412.5	82.7	9.2	4.6	43.9	25.0	412.5
2046	412.5	82.7	9.2	4.6	43.9	25.0	412.5
2047	412.5	82.8	9.2	4.6	43.9	25.1	412.5
2048	412.5	82.9	9.2	4.6	44.0	25.1	412.5

Friends Homes -- Open Group Projection

Fiscal Year Ending 9/30	Summary of the Contract Assisted Living Unit Population Movements				
	Beginning Number of Residents	Permanent Transfers from Independent Living	Deaths	Permanent Transfers to Skilled Nursing Facility	Ending Number of Permanent Residents
2019	76.0	44.3	9.9	34.6	75.9
2020	75.9	42.6	10.0	33.3	75.1
2021	75.1	41.4	9.9	32.3	74.4
2022	74.4	40.8	9.6	31.6	74.1
2023	74.1	40.8	9.3	31.3	74.3
2024	74.3	41.2	9.2	31.1	75.1
2025	75.1	41.6	9.2	31.4	76.2
2026	76.2	42.1	9.2	31.9	77.2
2027	77.2	42.5	9.2	32.4	78.1
2028	78.1	42.8	9.3	32.7	78.9
2029	78.9	43.0	9.4	33.0	79.5
2030	79.5	43.2	9.6	33.1	80.0
2031	80.0	43.3	9.7	33.3	80.3
2032	80.3	43.3	9.7	33.4	80.6
2033	80.6	43.4	9.8	33.5	80.7
2034	80.7	43.4	9.8	33.6	80.7
2035	80.7	43.4	9.8	33.6	80.7
2036	80.7	43.5	9.8	33.7	80.7
2037	80.7	43.5	9.8	33.7	80.8
2038	80.8	43.6	9.8	33.7	80.8
2039	80.8	43.6	9.8	33.7	80.9
2040	80.9	43.6	9.8	33.8	81.0
2041	81.0	43.7	9.8	33.8	81.0
2042	81.0	43.7	9.8	33.8	81.1
2043	81.1	43.8	9.8	33.9	81.2
2044	81.2	43.8	9.9	33.9	81.3
2045	81.3	43.9	9.9	33.9	81.3
2046	81.3	43.9	9.9	34.0	81.4
2047	81.4	43.9	9.9	34.0	81.4
2048	81.4	44.0	9.9	34.0	81.5

Friends Homes -- Open Group Projection

Fiscal Year Ending 9/30	Summary of the Contract Skilled Nursing Facility Population Movements				
	Beginning Number of Residents	Permanent Transfers from Independent Living	Permanent Transfers from Assisted Living	Deaths	Ending Number of Permanent Residents
2019	92.0	26.1	34.6	61.6	91.1
2020	91.1	25.2	33.3	59.9	89.7
2021	89.7	24.4	32.3	57.9	88.4
2022	88.4	24.0	31.6	56.4	87.6
2023	87.6	23.8	31.3	55.3	87.4
2024	87.4	23.8	31.1	54.7	87.6
2025	87.6	23.8	31.4	54.2	88.6
2026	88.6	23.9	31.9	54.4	90.0
2027	90.0	24.0	32.4	54.9	91.4
2028	91.4	24.2	32.7	55.6	92.7
2029	92.7	24.4	33.0	56.2	93.7
2030	93.7	24.5	33.1	56.8	94.6
2031	94.6	24.7	33.3	57.2	95.3
2032	95.3	24.8	33.4	57.7	95.8
2033	95.8	24.8	33.5	58.0	96.2
2034	96.2	24.8	33.6	58.3	96.3
2035	96.3	24.9	33.6	58.5	96.4
2036	96.4	24.9	33.7	58.5	96.4
2037	96.4	24.9	33.7	58.5	96.4
2038	96.4	24.9	33.7	58.5	96.5
2039	96.5	24.9	33.7	58.5	96.6
2040	96.6	24.9	33.8	58.6	96.7
2041	96.7	24.9	33.8	58.6	96.8
2042	96.8	25.0	33.8	58.7	96.8
2043	96.8	25.0	33.9	58.8	96.9
2044	96.9	25.0	33.9	58.8	97.0
2045	97.0	25.0	33.9	58.9	97.1
2046	97.1	25.0	34.0	58.9	97.1
2047	97.1	25.1	34.0	59.0	97.2
2048	97.2	25.1	34.0	59.0	97.3

APPENDIX B

OPEN GROUP PROJECTION - EXPANSION

As of September 30, 2018

Friends Homes -- Open Group Projection -- Expansion

Fiscal Year Ending 12/31	Community Occupancy Summary					
	Independent Living Unit					
	Number of Residents	Number of Units	Occupancy Rate	Density Ratio	Units Released	New Units Occupied
2019	0.0	0.0	0.0%	0.00	0.0	0.0
2020	0.0	0.0	0.0%	0.00	0.0	0.0
2021	0.0	0.0	0.0%	0.00	0.0	0.0
2022	130.8	88.0	94.6%	1.49	0.9	88.9
2023	126.3	88.0	94.6%	1.44	4.2	4.2
2024	120.5	88.0	94.6%	1.37	7.6	7.6
2025	116.2	88.0	94.6%	1.32	9.4	9.4
2026	113.2	88.0	94.6%	1.29	11.0	11.0
2027	111.4	88.0	94.6%	1.27	12.4	12.4
2028	110.4	88.0	94.6%	1.25	13.4	13.4
2029	110.0	88.0	94.6%	1.25	14.0	14.0
2030	109.9	88.0	94.6%	1.25	14.4	14.4
2031	110.0	88.0	94.6%	1.25	14.6	14.6
2032	110.2	88.0	94.6%	1.25	14.7	14.7
2033	110.3	88.0	94.6%	1.25	14.7	14.7
2034	110.4	88.0	94.6%	1.26	14.7	14.7
2035	110.5	88.0	94.6%	1.26	14.7	14.7
2036	110.5	88.0	94.6%	1.26	14.7	14.7
2037	110.5	88.0	94.6%	1.26	14.7	14.7
2038	110.5	88.0	94.6%	1.26	14.6	14.6
2039	110.5	88.0	94.6%	1.26	14.7	14.7
2040	110.5	88.0	94.6%	1.26	14.7	14.7
2041	110.5	88.0	94.6%	1.26	14.7	14.7
2042	110.5	88.0	94.6%	1.26	14.7	14.7
2043	110.5	88.0	94.6%	1.26	14.7	14.7
2044	110.5	88.0	94.6%	1.26	14.7	14.7
2045	110.4	88.0	94.6%	1.26	14.7	14.7
2046	110.4	88.0	94.6%	1.25	14.7	14.7
2047	110.4	88.0	94.6%	1.25	14.7	14.7
2048	110.4	88.0	94.6%	1.25	14.8	14.8

Friends Homes -- Open Group Projection -- Expansion

Fiscal Year Ending 12/31	Community Occupancy Summary					
	Assisted Living and Memory Care Unit			Skilled Nursing Facility		
	Number of Permanent Residents	Number of Temporary Residents	Occupancy Rate	Number of Permanent Residents	Number of Temporary Residents	Occupancy Rate
2019	0.0	0.0	0.0%	0.0	0.0	0.0%
2020	0.0	0.0	0.0%	0.0	0.0	0.0%
2021	0.0	0.0	0.0%	0.0	0.0	0.0%
2022	1.1	0.0	1.1%	0.8	0.5	1.2%
2023	5.2	0.0	5.6%	4.0	1.5	5.1%
2024	10.7	0.0	11.6%	9.0	1.7	9.8%
2025	14.6	0.0	15.9%	13.6	1.8	14.1%
2026	17.3	0.0	18.8%	17.5	1.9	17.8%
2027	19.2	0.0	20.8%	20.5	2.0	20.7%
2028	20.4	0.0	22.2%	22.7	2.1	22.7%
2029	21.2	0.0	23.1%	24.1	2.1	24.1%
2030	21.7	0.0	23.6%	25.1	2.1	25.0%
2031	22.0	0.0	23.9%	25.7	2.1	25.5%
2032	22.1	0.0	24.0%	26.1	2.1	25.9%
2033	22.1	0.0	24.0%	26.4	2.1	26.1%
2034	22.0	0.0	24.0%	26.5	2.1	26.2%
2035	22.0	0.0	23.9%	26.5	2.1	26.2%
2036	22.0	0.0	23.9%	26.5	2.1	26.2%
2037	21.9	0.0	23.8%	26.5	2.1	26.2%
2038	21.9	0.0	23.8%	26.4	2.1	26.2%
2039	21.9	0.0	23.8%	26.4	2.1	26.2%
2040	21.9	0.0	23.8%	26.4	2.1	26.2%
2041	21.9	0.0	23.8%	26.4	2.1	26.2%
2042	22.0	0.0	23.9%	26.4	2.1	26.2%
2043	22.0	0.0	23.9%	26.5	2.1	26.2%
2044	22.0	0.0	23.9%	26.5	2.1	26.2%
2045	22.0	0.0	23.9%	26.5	2.1	26.3%
2046	22.0	0.0	23.9%	26.5	2.1	26.3%
2047	22.0	0.0	24.0%	26.5	2.1	26.3%
2048	22.1	0.0	24.0%	26.6	2.1	26.3%

Friends Homes -- Open Group Projection -- Expansion

Fiscal Year Ending 12/31	Number of Days In Each Level of Care					
	Independent Living Unit Days	Assisted Living and Memory Care Unit		Skilled Nursing Facility		
		Permanent Days Contract Residents	Temporary Contract Days	Permanent Days Contract Residents	Temporary Days	
					Contract Residents	Direct Admit Residents
2019	0	0	0	0	0	0
2020	0	0	0	0	0	0
2021	0	0	0	0	0	0
2022	7,978	193	0	145	177	0
2023	31,050	1,138	0	883	547	0
2024	45,075	2,893	0	2,385	611	0
2025	43,217	4,611	0	4,135	655	0
2026	41,889	5,825	0	5,683	700	0
2027	41,021	6,663	0	6,939	737	0
2028	40,511	7,229	0	7,885	759	0
2029	40,255	7,604	0	8,549	765	0
2030	40,163	7,839	0	8,991	770	0
2031	40,166	7,973	0	9,283	772	0
2032	40,214	8,039	0	9,472	773	0
2033	40,271	8,062	0	9,587	774	0
2034	40,320	8,058	0	9,648	774	0
2035	40,352	8,042	0	9,673	772	0
2036	40,370	8,026	0	9,674	771	0
2037	40,375	8,013	0	9,666	771	0
2038	40,373	8,005	0	9,660	771	0
2039	40,367	8,000	0	9,655	772	0
2040	40,360	8,001	0	9,650	772	0
2041	40,354	8,006	0	9,646	773	0
2042	40,350	8,013	0	9,650	773	0
2043	40,346	8,022	0	9,658	774	0
2044	40,343	8,030	0	9,668	774	0
2045	40,341	8,037	0	9,677	774	0
2046	40,339	8,044	0	9,685	775	0
2047	40,337	8,050	0	9,692	775	0
2048	40,335	8,056	0	9,700	775	0

Friends Homes -- Open Group Projection -- Expansion

Fiscal Year Ending 12/31	Average Age of Residents at the End of the Year										
	Independent Living Unit		Assisted Living and Memory Care Unit				Skilled Nursing Facility				
			Contract Residents		Direct Admit Residents		Contract Residents		Direct Admit Residents		
	Males	Females	Males	Females	Males	Females	Males	Females	Males	Females	
2019	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2020	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2021	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2022	84.62	83.86	85.41	85.18	N/A	N/A	85.46	84.65	N/A	N/A	N/A
2023	84.90	84.14	85.95	85.68	N/A	N/A	86.02	85.31	N/A	N/A	N/A
2024	85.68	84.92	86.67	86.32	N/A	N/A	86.75	86.16	N/A	N/A	N/A
2025	86.34	85.58	87.44	86.98	N/A	N/A	87.49	87.03	N/A	N/A	N/A
2026	86.83	86.10	88.17	87.60	N/A	N/A	88.18	87.81	N/A	N/A	N/A
2027	87.15	86.48	88.79	88.15	N/A	N/A	88.82	88.49	N/A	N/A	N/A
2028	87.33	86.75	89.31	88.65	N/A	N/A	89.39	89.08	N/A	N/A	N/A
2029	87.40	86.94	89.72	89.07	N/A	N/A	89.86	89.59	N/A	N/A	N/A
2030	87.40	87.05	90.02	89.42	N/A	N/A	90.22	90.03	N/A	N/A	N/A
2031	87.37	87.12	90.21	89.69	N/A	N/A	90.47	90.39	N/A	N/A	N/A
2032	87.33	87.16	90.31	89.90	N/A	N/A	90.64	90.68	N/A	N/A	N/A
2033	87.29	87.18	90.35	90.05	N/A	N/A	90.73	90.91	N/A	N/A	N/A
2034	87.26	87.19	90.34	90.13	N/A	N/A	90.76	91.09	N/A	N/A	N/A
2035	87.25	87.19	90.31	90.18	N/A	N/A	90.76	91.21	N/A	N/A	N/A
2036	87.25	87.19	90.27	90.20	N/A	N/A	90.74	91.27	N/A	N/A	N/A
2037	87.26	87.19	90.23	90.21	N/A	N/A	90.73	91.31	N/A	N/A	N/A
2038	87.27	87.20	90.21	90.20	N/A	N/A	90.71	91.33	N/A	N/A	N/A
2039	87.28	87.20	90.21	90.18	N/A	N/A	90.70	91.33	N/A	N/A	N/A
2040	87.29	87.21	90.21	90.17	N/A	N/A	90.70	91.32	N/A	N/A	N/A
2041	87.29	87.22	90.22	90.17	N/A	N/A	90.70	91.31	N/A	N/A	N/A
2042	87.30	87.23	90.23	90.17	N/A	N/A	90.70	91.31	N/A	N/A	N/A
2043	87.31	87.24	90.24	90.17	N/A	N/A	90.71	91.31	N/A	N/A	N/A
2044	87.31	87.24	90.24	90.18	N/A	N/A	90.71	91.31	N/A	N/A	N/A
2045	87.32	87.25	90.25	90.19	N/A	N/A	90.72	91.32	N/A	N/A	N/A
2046	87.33	87.26	90.26	90.20	N/A	N/A	90.73	91.33	N/A	N/A	N/A
2047	87.33	87.27	90.26	90.20	N/A	N/A	90.73	91.33	N/A	N/A	N/A
2048	87.34	87.28	90.27	90.21	N/A	N/A	90.74	91.34	N/A	N/A	N/A

Friends Homes -- Open Group Projection -- Expansion

Fiscal Year Ending 12/31	Summary of the Independent Living Unit Population Movements						
	Beginning Number of Residents	New Entrants	Deaths	Withdrawals	Permanent Transfers to Assisted Living and Memory Care Unit	Permanent Transfers to Skilled Nursing Facility	Ending Number of Permanent Residents
2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2020	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2021	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2022	0.0	133.4	0.4	0.3	1.1	0.8	130.8
2023	130.8	6.3	1.6	1.1	4.8	3.3	126.3
2024	126.3	11.4	2.5	1.5	8.0	5.4	120.5
2025	120.5	14.1	2.5	1.4	8.9	5.7	116.2
2026	116.2	16.6	2.5	1.3	9.7	6.0	113.2
2027	113.2	18.6	2.5	1.2	10.4	6.3	111.4
2028	111.4	20.1	2.5	1.1	11.0	6.5	110.4
2029	110.4	21.0	2.5	1.2	11.3	6.5	110.0
2030	110.0	21.6	2.5	1.2	11.4	6.6	109.9
2031	109.9	21.9	2.5	1.2	11.5	6.6	110.0
2032	110.0	22.1	2.5	1.2	11.6	6.7	110.2
2033	110.2	22.1	2.5	1.2	11.6	6.7	110.3
2034	110.3	22.1	2.5	1.2	11.6	6.7	110.4
2035	110.4	22.0	2.5	1.2	11.6	6.7	110.5
2036	110.5	22.0	2.5	1.2	11.6	6.7	110.5
2037	110.5	22.0	2.5	1.2	11.6	6.7	110.5
2038	110.5	22.0	2.5	1.2	11.6	6.7	110.5
2039	110.5	22.0	2.5	1.2	11.6	6.7	110.5
2040	110.5	22.0	2.5	1.2	11.6	6.7	110.5
2041	110.5	22.0	2.5	1.2	11.6	6.7	110.5
2042	110.5	22.0	2.5	1.2	11.6	6.7	110.5
2043	110.5	22.1	2.5	1.2	11.6	6.7	110.5
2044	110.5	22.1	2.5	1.2	11.6	6.7	110.5
2045	110.5	22.1	2.5	1.2	11.6	6.7	110.4
2046	110.4	22.1	2.5	1.2	11.7	6.8	110.4
2047	110.4	22.1	2.5	1.2	11.7	6.8	110.4
2048	110.4	22.1	2.5	1.2	11.7	6.8	110.4

Friends Homes -- Open Group Projection -- Expansion

Fiscal Year Ending 12/31	Summary of the Contract Assisted Living and Memory Care Unit Population Movements				
	Beginning Number of Residents	Permanent Transfers from Independent Living	Deaths	Permanent Transfers to Skilled Nursing Facility	Ending Number of Permanent Residents
2019	0.0	0.0	0.0	0.0	0.0
2020	0.0	0.0	0.0	0.0	0.0
2021	0.0	0.0	0.0	0.0	0.0
2022	0.0	1.1	0.0	0.0	1.1
2023	1.1	4.8	0.1	0.5	5.2
2024	5.2	8.0	0.5	1.9	10.7
2025	10.7	8.9	1.1	3.9	14.6
2026	14.6	9.7	1.5	5.5	17.3
2027	17.3	10.4	1.9	6.7	19.2
2028	19.2	11.0	2.1	7.6	20.4
2029	20.4	11.3	2.3	8.1	21.2
2030	21.2	11.4	2.5	8.5	21.7
2031	21.7	11.5	2.5	8.7	22.0
2032	22.0	11.6	2.6	8.9	22.1
2033	22.1	11.6	2.6	8.9	22.1
2034	22.1	11.6	2.6	9.0	22.0
2035	22.0	11.6	2.6	9.0	22.0
2036	22.0	11.6	2.6	9.0	22.0
2037	22.0	11.6	2.6	9.0	21.9
2038	21.9	11.6	2.6	9.0	21.9
2039	21.9	11.6	2.6	9.0	21.9
2040	21.9	11.6	2.6	9.0	21.9
2041	21.9	11.6	2.6	9.0	21.9
2042	21.9	11.6	2.6	9.0	22.0
2043	22.0	11.6	2.6	9.0	22.0
2044	22.0	11.6	2.6	9.0	22.0
2045	22.0	11.6	2.6	9.0	22.0
2046	22.0	11.7	2.6	9.0	22.0
2047	22.0	11.7	2.6	9.0	22.0
2048	22.0	11.7	2.6	9.0	22.1

Friends Homes -- Open Group Projection -- Expansion

Fiscal Year Ending 12/31	Summary of the Contract Skilled Nursing Facility Population Movements				
	Beginning Number of Residents	Permanent Transfers from Independent Living	Permanent Transfers from Assisted Living and Memory Care	Deaths	Ending Number of Permanent Residents
2019	0.0	0.0	0.0	0.0	0.0
2020	0.0	0.0	0.0	0.0	0.0
2021	0.0	0.0	0.0	0.0	0.0
2022	0.0	0.8	0.0	0.0	0.8
2023	0.8	3.3	0.5	0.6	4.0
2024	4.0	5.4	1.9	2.3	9.0
2025	9.0	5.7	3.9	5.0	13.6
2026	13.6	6.0	5.5	7.6	17.5
2027	17.5	6.3	6.7	10.0	20.5
2028	20.5	6.5	7.6	11.9	22.7
2029	22.7	6.5	8.1	13.2	24.1
2030	24.1	6.6	8.5	14.1	25.1
2031	25.1	6.6	8.7	14.7	25.7
2032	25.7	6.7	8.9	15.1	26.1
2033	26.1	6.7	8.9	15.4	26.4
2034	26.4	6.7	9.0	15.6	26.5
2035	26.5	6.7	9.0	15.7	26.5
2036	26.5	6.7	9.0	15.7	26.5
2037	26.5	6.7	9.0	15.7	26.5
2038	26.5	6.7	9.0	15.7	26.4
2039	26.4	6.7	9.0	15.7	26.4
2040	26.4	6.7	9.0	15.7	26.4
2041	26.4	6.7	9.0	15.7	26.4
2042	26.4	6.7	9.0	15.7	26.4
2043	26.4	6.7	9.0	15.7	26.5
2044	26.5	6.7	9.0	15.7	26.5
2045	26.5	6.7	9.0	15.7	26.5
2046	26.5	6.8	9.0	15.7	26.5
2047	26.5	6.8	9.0	15.8	26.5
2048	26.5	6.8	9.0	15.8	26.6

Exhibit E

FRIENDS HOMES, INC.
UN-AUDITED FINANCIAL REPORTS
FOR THE MONTH ENDED DECEMBER 31, 2019

FRIENDS HOMES, INC.
CONSOLIDATED BALANCE SHEETS

Assets	December 31, 2019	December 31, 2018
Current Assets:		
Operating Cash	4,753,749	996,532
Trustee Held Funds	21,327,594	-
Investment Cash	73,900	110,209
Accounts Receivable:		
Patient and residents net of allowance for uncollectible accounts	1,318,733	1,647,685
Interest receivable	18,938	30,506
Entrance Fees Receivable	-	-
Other	120,582	208,840
Inventories and prepaid expenses	201,340	364,729
Total Current Assets	<u>27,814,837</u>	<u>3,358,500</u>
Investments limited as to use Reserved By State Statute Investments	7,209,412	6,824,114
	36,098,088	29,561,249
Property and equipment (net)	47,487,968	45,081,332
Other assets:		
Construction in progress	2,769,870	3,295,733
Interest rate swap	0	122,702
Total Other Assets	<u>2,769,870</u>	<u>3,418,435</u>
Total Assets	<u><u>121,380,175</u></u>	<u><u>88,243,629</u></u>
Liabilities and Net Assets		
Current liabilities:		
Current maturities on long-term debt	560,000	1,495,000
Notes payable	687,500	847,500
Accounts payable - trade	527,787	706,173
Accrued expenses	2,061,227	1,658,904
Prepaid Entrance Fee	-	-
Prepaid Rent	-	-
Intercompany	(0)	(0)
Occupancy deposits	736,375	560,525
Total Current Liabilities	<u>4,572,889</u>	<u>5,268,102</u>
Long-term debt, less current maturities	52,827,055	27,022,953
Refundable fees	8,246,803	7,892,726
Deferred revenue from advance fees	7,493,445	7,542,946
Deferred Revenue - Rent Reduction	133,574	213,601
Liability under swap agreement	-	-
Total Liabilities	<u>73,273,766</u>	<u>47,940,328</u>
Net Assets:		
Unrestricted		
Undesignated	43,946,423	36,861,234
Board restricted	3,654,051	2,993,371
Restricted Funds	505,934	448,696
Total Net Assets	<u>48,106,409</u>	<u>40,303,301</u>
Total Liabilities and Net Assets	<u><u>121,380,175</u></u>	<u><u>88,243,629</u></u>

FRIENDS HOMES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS ENDED

	Actual December 31, 2019	Actual December 31, 2018
Operating Revenues		
Resident fees earned, including amortization of entrance fees	7,689,622	7,326,491
Gain(loss) on sale of investments	139,220	156,348
Gain/Loss on disposal/sale of assets	-	-
Dividends and interest	948,151	1,118,249
Net assets released from restrictions used for operations	39,596	49,207
Unrestricted donations	45	1,405
Total Operating Center Services	8,816,635	8,651,700
Operating Expenses:		
Salaries and benefits	3,360,335	3,353,088
Health Insurance	422,751	261,642
Raw Food	403,694	362,083
Utilities	331,614	331,984
Repairs and Maintenance	330,055	382,056
Contractual Medical	328,974	245,030
Other supplies	300,504	263,825
Medical supplies and drugs	113,707	103,816
General Insurance	12,644	88,804
Contractual Dietary	215,300	207,459
Charity Care	(806)	18,582
Professional Fees	83,541	56,886
Management Services	311,404	276,192
Other	236,725	208,478
Interest expense	352,891	283,248
Depreciation and amortization	720,991	630,676
Amortization of deferred issue cost	29,629	5,136
Total Operating Expenses	7,553,953	7,078,983
Operating Revenue Over(Under) Expenses	1,262,682	1,572,716
Unrealized Gain(Loss) Current Year on Investments	1,631,955	(5,659,808)
Unrealized Gain(Loss) Current Year on Swap Agreement	-	(150,451)
Excess(Deficit) of Revenues Over Expenses	2,894,636	(4,237,542)

**FRIENDS HOMES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS**

FOR THE THREE MONTHS ENDED

	December 31, 2019	December 31, 2018
Cash flows from operating activities:		
Increase in net assets:	2,870,769	(4,276,815)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Amortization of entrance fees	(587,738)	(587,526)
Realized (gain)loss on sales of investments (net)	(139,220)	(156,348)
Amortization of deferred bond issue cost	29,629	5,136
Depreciation expense	720,991	630,676
(Gain)Loss on sale of equipment	-	-
Amortization of deferred revenue	(16,095)	(21,941)
Net unrealized loss(gain) on investments	(1,631,955)	5,659,809
Net unrealized loss(gain) on swap agreements	(144,131)	150,450
Changes in assets and liabilities		
Accounts receivable	(110,221)	(485,518)
Inventory and prepaid expenses	9,113	(50,629)
Accounts payable and other accrued expenses	(848,467)	(722,250)
Total adjustments	<u>(2,718,093)</u>	<u>4,421,859</u>
Net cash provided(Used) by operating activities	<u>152,676</u>	<u>145,044</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	3,074,963	1,450,425
Proceeds from sale of equipment	-	-
Purchase of investments	(25,323,035)	(1,464,958)
Purchase of property and equipment	(944,793)	(1,197,042)
Net cash used in investing activities	<u>(23,192,866)</u>	<u>(1,211,575)</u>
Cash flows from financing activities:		
Proceeds from short-term debt	-	-
Proceeds from advance fees and deposits	1,074,950	1,376,800
Proceeds from Issuance of LTD	54,143,526	
Payment of principle on long-term debt	(27,500,000)	(360,000)
Payments of short-term debt	(40,000)	(25,000)
Bond issue cost	(694,461)	(10,000)
Refunds of advance fees and deposits	(259,979)	(31,250)
Net cash provided by financing activities	<u>26,724,036</u>	<u>950,550</u>
Net increase(decrease) in cash and cash equivalents	<u>3,683,846</u>	<u>(115,981)</u>
Cash and cash equivalents at beginning of year	<u>1,143,802</u>	<u>1,222,725</u>
Cash and cash equivalents at end of reporting period	<u>4,827,648</u>	<u>1,106,743</u>
Cash Paid During the periods for Interest	<u>352,891</u>	<u>283,248</u>