



## **Lutheran Retirement Ministries of Alamance County, North Carolina**

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

## **Annual Disclosure Statement February 28, 2020**

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

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

**DISCLOSURE STATEMENT**

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## **HISTORY, MISSION and CORE VALUES**

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

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

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

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

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

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

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

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

## **NON-PROFIT STATUS**

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

## **LICENSURE AND CERTIFICATION**

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

## **AFFILIATIONS**

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

## **ACCREDITATION**

Twin Lakes Community is accredited by CARF, an independent accrediting commission for CCRC's. In its commitment to provide quality services to the residents, Twin Lakes Community

presents itself for additional scrutiny and adherence to the strict standards of CARF.

### **FINANCIAL RATING**

The Fitch rating agency has assessed LRM's investment grade rating at BBB.

### **ORGANIZATION AND OPERATION**

#### **BOARD OF DIRECTORS**

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

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

#### **BOARD MEMBER BIOGRAPHIES**

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

Resident of Twin Lakes Community; retired journalist and biographer; adjunct professor, UNC Greensboro; Greensboro Historical Museum Board Chair; UNCG Friends of Library Board Chair; NC Public Policy Board Chair; and member of the Lutheran Church.

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

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

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

Attending physician/partner, LeBauer Healthcare; volunteer team physician, Eastern Guilford High School; former faculty and current volunteer faculty, Cone Health Sports Medicine; member,

American Board of Family Practice, NC Academy of Family Physicians, American Medical Society for Sports Medicine, and American College of Sports Medicine; serves on Board of Directors, Copland Fabrics and Copland Industries, Inc.; member of First Presbyterian Church, Greensboro.

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

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

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

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

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

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

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

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

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

Customer Service Representative, Fidelity Bank; Chair, Lutheran Retirement Ministries Board; Treasurer, NC Palomino Exhibitors Association; Vice-Chair of Audit Committee and Finance

Committee member - National Palomino Horse Breeders of America, Member – Friedens Lutheran Church.

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

Vice President of Engineering, Tyrata, Inc.; Elon University Institutional Review Board, Community Member; member of Alamance Lutheran Church where he has served several terms as congregational president and finance committee chair for over 10 years.

- **Janet J. LaHayne** (847) 909-3095 Home  
3015 Black Elk Court, Burlington, NC 27215

Resident of Twin Lakes Community; retired Vice President, Customer Service and Chief Information Officer, Littlefuse, Inc.; retired strategic consultant, ConMed Linvatec; former program chair for Information Technology Association; served on Advisory Board of Directors for Thrivent Financials; Twin Lakes representative to NC Continuing Care Residents Association; member of Macedonia Evangelical Lutheran Church where she serves on various committees.

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

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

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

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

- **T. Bruce Moore** (336) 739-1136 Home  
3157 Mattie Florence Drive, Graham, NC 27253

Retired Senior Technical Advisor, Oil & Natural Gas Sector, US Environmental Protection Agency; Graduate of Texas A&M University (Chemical Engineering); Graduate of Sam Houston State University (Chemistry); served in the US Navy; past Registered Emergency Paramedic

(Texas); Committee Chair since 2003, Boy Scouts of America Troop 39; Ruritan National past Club President and Zone Governor; current Chair, Board of Directors, Coble Estates Homeowners' Association; member of Macedonia Evangelical Lutheran Church since 2000, where he has served as Congregation President, Church Council, on the Executive Committee, and as Capital Fund Treasurer since 2009.

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

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

- **Constance R. Poovey** (336) 260-5195 Home  
1924 Woodland Avenue, Burlington, NC 27215

Retired Quality Assurance Officer and Administrator with Twin Lakes Community; BA in Math, MS in Computer Science and MSW in Social Work; served on Board of Directors and past president for Ralph Scott Lifeservices and ARC of Alamance County; current treasurer and past president of HESED Secretariat; member of Macedonia Evangelical Lutheran Church where she has served in multiple positions including church council president.

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

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

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

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

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

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

- **Jerry R. Tolley, Jr.** (919) 219-3847 Home  
1708 Cappelquin Way, Burlington, NC 27215



Head of Anatomic Pathology and Digital Pathology at LabCorp; BS, US Naval Academy and MBA, Harvard Business School; Veteran, US Navy; member of Macedonia Lutheran Church, currently serving as Finance Committee Chair and member of the Visioning Committee.

- **Danny C. Van Fleet** (336) 263-2505 Home  
104 Oakview Drive, Elon, NC 27244

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

- **James N. Wilkes** (336) 446-0678 Home  
2703 Whitefield Court, Burlington, NC 27215

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

### **MANAGEMENT**

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

#### **Pamela Sarsfield Fox. President/Chief Executive Officer.**

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

#### **Brent Conklin. Chief Financial Officer.**

Graduated from Appalachian State University in 1999 with a BSBA degree in Accounting. Received his CPA Certificate in 2003. He has over eighteen years' experience in accounting, which includes eight years in public practice with McGladrey & Pullen and Dixon Hughes Goodman, auditing various CCRC's, not-for-profits, manufacturing companies and auto dealerships across

the US. In the nine years before he joined Twin Lakes, Conklin worked in private industry for large multi-national manufacturing companies in various finance leadership roles. Member of the American Institute of Certified Accountants, North Carolina Association of Certified Public Accountants and is a Chartered Global Management Accountant. Conklin also serves as the treasurer of his church in Gibsonville, NC, and has served on several not-for-profit boards in Gibsonville and Chapel Hill, NC.

**Kimberly D. Thomas. Human Resources Officer, Security/Privacy Officer**

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

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

A native of southeastern North Carolina, Patrick Harrison graduated from the University of North Carolina at Pembroke in 2004 earning a Bachelor of Science degree with a concentration in marketing. Prior to that, he received two Associate degrees in Banking and Finance and Business Administration from Southeastern Community College. Following studies at the University of North Carolina at Chapel Hill, he became a Licensed Nursing Home Administrator for North Carolina in 2005 and was employed as Administrator for Bayview Nursing and Rehabilitation Center in New Bern, N.C. for two years. Harrison joined Twin Lakes as the Assisted Living Administrator in 2007 and is currently Administrator for The Lakes Independent Living as well as responsible for campus Maintenance, Grounds and Security. He is also a Certified Aging Services Professional.

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

Amanda Hobbs hails from Guilford County, having stayed close to home, and graduated from The University of North Carolina at Chapel Hill in 1994. She earned a Bachelor of Arts degree in Recreation and Leisure Studies with a concentration in Therapeutic Recreation. Hobbs has worked with senior adults since 1994. She joined the Twin Lakes team in 1998 serving first as the IL Activities Director (1998-2000), transitioning to Admissions Coordinator for both Coble Creek and Deacon Pointe (2000-2013), growing into the position of IL Resident Services Coordinator (2013-2017). She earned licensure as a Nursing Home Administrator in 2017 and is currently the Administrator for Deacon Pointe Assisted Living.

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

A native of Alamance County, Lauren Cook graduated from Appalachian State University in 2004 with a Bachelor of Science degree in Sociology with a concentration in Gerontology. Cook received a Master of Arts degree in Gerontology with a focus in Administration from Appalachian State University in 2006 and joined the Twin Lakes Community family in 2007. Licensed in the state of North Carolina as a Nursing Home Administrator and Assisted Living Administrator, she currently serves as the Administrator for Coble Creek Healthcare and Rehabilitation. She also

coordinates the CARF accreditation and risk management processes campus wide. Cook currently serves as preceptor for NC Nursing Home Administrators in Training. Previously she served on the board of American Red Cross Piedmont Carolina Chapter and chaired the Alamance County Walk to End Alzheimer's.

**Tara Patton Kepley. Administrator, Moneta Springs Memory Care.**

A native of Alamance County, Tara Kepley graduated from Appalachian State University in 1998 with a Bachelor of Science degree in Business Administration with a concentration in Information Systems. Mrs. Kepley joined the staff of Twin Lakes Community in 2008 as the Resident Services Coordinator for Independent Living. In 2012, she earned a Graduate Certificate in Gerontology from Appalachian State University. Licensed in the state of North Carolina as a Nursing Home Administrator and Assisted Living Administrator, Kepley is also certified as an Aging Services Professional and Aging-in-Place Specialist. Kepley was the Administrator in Deacon Pointe Assisted Living from 2013 through 2016 and is currently the Administrator for Moneta Springs Memory Care.

**Laura McDaniel. Director of Resident and Community Resources.**

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

**Kathy Fletcher. Sales and Marketing Director.**

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

**Michael Cain. Wellness Director.**

A native of Manitou Springs, Colorado, Cain holds a degree in Exercise and Sport Science from Colorado State University. Inspired by the healthcare providers and trainers who aided him following football injuries, he decided to pursue a career in health and wellness. Cain began as a personal trainer and eventually opened his own personal training business. His studio was located in the heart of a well-known retirement community in San Diego and his focus became centered on senior fitness and wellness programs. He has over 30 years of experience in health and wellness and has developed well-rounded fitness programs for all walks of life. His specialties include corrective exercise for muscular imbalances and holistic approaches to wellness. He has been certified by National Academy of Sports Medicine in Advanced Level Personal Training, by APEX Fitness as a FIT PRO in Senior Fitness and by the American Council on Exercise as a Corrective Exercise Specialist. Cain began his work with the residents and staff of Twin Lakes in 2011.

**Sidney O. Becker. Executive Assistant.**

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

**DISCLOSURES**

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

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

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

**LOCATION AND DESCRIPTION OF PHYSICAL PROPERTY**

Twin Lakes Community is located on approximately 215 acres of land in the Town of Elon in Alamance County, North Carolina, bordering the City of Burlington, with 406 independent living homes, 36 apartments in Deacon Pointe Assisted Living, 104 nursing beds in Coble Creek Healthcare and Rehabilitation, and 32 beds in Moneta Springs Memory Care. The independent living homes consist of 248 villas, 22 one-bedroom apartments, 34 two-bedroom apartments, and 102 garden homes. We provide internet access to all of our residents with a state-of-the-art Wi-Fi system anchored by a campus-wide fiber optic cable system. In addition to providing internet access to our residents, this system is designed to support new technologies that enhance the independence and security of our residents. We are also home to an award-winning Synergy Home, in which residents can interact and experiment with devices and technologies designed to enhance independence and security for healthy aging.

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

Twin Lakes campus and in the broader community. The independent living nurses and nursing clinic are also located in Deacon Pointe.

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

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

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

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

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

Our 215-acre campus contains several miles of walking paths and sidewalks. A large garden area and woodworking shop are also available for resident use. In addition, numerous clubs and resident-led activities, events and excursions mean the pace at Twin Lakes is always lively.

### **ESTIMATED NUMBER OF RESIDENTS**

As of September 30, 2019, a total of 545 persons were residing in independent living homes; there were 35 residents in Deacon Pointe Assisted Living and 32 residents in Moneta Springs Memory Care. In Coble Creek Healthcare and Rehabilitation, none of the four Adult Care beds was occupied and 91 persons resided in skilled nursing.

## **RELATED PARTY TRANSACTIONS**

### **Conflict of Interest Provisions**

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

## **ADMISSIONS AND RESIDENCY**

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

### **Admission**

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

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

To be accepted for admission to Twin Lakes Community and to reside in an independent living home, an applicant must have attained a minimum age of 62, and must meet certain health and financial conditions. Payment of an admission fee provides a resident with the lifetime use of a residence and the services and amenities available at the community. When an applicant is ready to reserve a home and move to Twin Lakes Community, the applicant will sign a residency contract and pay an admission fee deposit to Twin Lakes. The balance of the admission fee will be paid upon the earlier of (i) occupancy or (ii) 120 days after the residency agreement is executed. Every resident in an independent living home must insure that all charges, including the admission fee, occupancy charge (the monthly fee for basic services payable to the community), and all charges incurred at the option of the resident are satisfied either through direct payment or through waiver or subsidy by Twin Lakes Community.

### **Health Criteria for Admission**

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

If, between the date of the residency contract and the scheduled occupancy, an applicant's health should decline to a level that impairs the applicant's ability to live independently, Twin Lakes may

exercise its right to terminate the contract, and the applicant will not be allowed to take up residency in an independent living unit. In such case, any fees paid prior to residency would be refunded to the applicant in accordance with the provisions of the contract.

### **Financial and Insurance Criteria**

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

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

### **Cancellation and/or Termination**

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

If a resident dies before occupying a living unit in the facility, or if, on account of illness, injury, or incapacity, a resident would be precluded from occupying a living unit in the facility under the terms of the contract for continuing care, the contract is automatically cancelled.

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

If a resident chooses to terminate the contract, the refund will be paid to the resident by Twin Lakes Community within sixty (60) days of the later of 1) the conclusion of the resident's residency at Twin Lakes or 2) after Twin Lakes Community has re-leased the living unit and another resident has paid the admission fee. No interest will be paid on the refundable amount. If within the thirty (30) day rescission period the resident has not taken up occupancy and terminates the contract due to illness, injury, or incapacity which precludes the resident from occupying the living unit, the resident shall receive a refund of all money or property transferred to Twin Lakes less the costs specifically incurred by Twin Lakes at the request of the resident.

**Declining Refund:** If a resident enters into a contract with a fully-declining refundable admission fee, then after the initial occupancy date, the resident may terminate the contract by giving a written notice to Twin Lakes and shall receive a refund in an amount calculated using the following formula:

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

**50% Refundable Refund:** If a resident enters into a 50% refundable contract, then after the initial occupancy date, the resident may terminate the contract by giving a written notice to Twin Lakes and shall receive a refund in an amount calculated using the following formula:

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

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

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

- a. The right to occupy the living unit shall belong to both residents jointly until the right to occupy has been terminated as to one of them in the manner provided for in the residency contract.
- b. If the right to occupy by one of the joint residents shall be terminated as provided for in the



residency contract, then the remaining joint resident shall have the right to continue to occupy the living unit under the terms of the residency contract at the regular monthly occupancy charge as provided in the residency contract.

### **Moves**

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

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

### **Marriages/New Second Occupant**

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

If a resident marries someone who is not a resident of Twin Lakes under a CCRC contract ("New Spouse"), the New Spouse may become a resident of the resident's living unit with all the rights, privileges and duties of a CCRC contract holder if the New Spouse 1) meets all the current requirements for admission to the type of living unit the resident occupies; 2) signs a residency contract and any amendments we deem necessary; and 3) pays an additional admission fee, the amount to be determined by the retirement community. If the New Spouse does not meet Twin Lakes's requirements for admission or chooses not to become a CCRC contract holder with Twin Lakes, the resident may request that the New Spouse be permitted to occupy the resident's living unit. If the New Spouse's occupancy is approved, the resident will pay a second person monthly occupancy charge for the New Spouse, but the New Spouse will have no rights under the residency contract and no claim for care, services or residency from Twin Lakes. In the event the resident predeceases the New Spouse, and the New Spouse thereafter qualifies for admission and wishes to remain at Twin Lakes, the New Spouse must pay, in addition to the applicable monthly occupancy charge, the admission fee then applicable to the unit. Further, if the New Spouse does not wish to remain at Twin Lakes or does not qualify for admission or does not pay the applicable admission fee, then the New Spouse must vacate the unit within sixty (60) days of written notification by Twin Lakes Community.

### **Inability to Pay**

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

President/CEO is evaluating the request and during such periods of time as the President/ CEO approves the resident's request for financial assistance.

### **Services**

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

- a. Insurance. We carry fire and extended coverage insurance on our buildings and liability coverage for the Retirement Community. You are responsible for the cost of property and casualty and liability insurance for your personal belongings and other personal property located at the Retirement Community. We do not carry insurance on your personal property.
- b. Utilities. We furnish and pay for the cost of heat and electricity, air conditioning, cable television service, internet service, water and sewer services, and trash collection. You are responsible for the cost of installation of telephone service and the monthly charges for that service.
- c. Fixtures. We furnish your home with window blinds, an electric range, a built-in microwave, a refrigerator, and a garbage disposal. Washing machines and clothes dryers are accessible to apartment units; washing machines, clothes dryers and dishwashers are standard in all other floor plans.
- d. General Maintenance of Common Areas and Grounds. We maintain all common areas and grounds.
- e. Parking Spaces. You and your guests are entitled to the nonexclusive use of the parking areas designated on the Retirement Community premises for resident and visitor parking.
- f. Recreational, Social and Religious Activities. We provide recreational, physical, social, spiritual, educational and cultural activities as we determine in our discretion.
- g. Emergency Nursing Assistance. Our nursing staff is on call twenty-four hours a day for emergencies.
- h. Maintenance of Living Unit and Fixtures. We maintain the structural portion of your home and the fixtures described in listing in "b. Fixtures" above. This maintenance does not include housekeeping or maintenance of your personal property.
- i. Group Transportation. We provide regularly scheduled group transportation to selected medical facilities, shopping malls and grocery stores. The schedule and locations may be adjusted, modified, and changed at our discretion.
- j. Annual Cleaning. Our housekeeping staff will perform an annual cleaning of your home at no additional charge to you. Advance notice will be given for annual cleaning dates.
- k. Grace Days. We will use good faith efforts to make available each calendar year up to three days per independent living resident of temporary care in one of our facilities without additional occupancy charge to the resident. These grace days do not renew in the event of a long-term move to healthcare. These grace days shall not be cumulative or transferable to another resident. Please note that fees for services (including, but not limited to, salon, therapy, transportation, and pharmacy) used during a stay in Coble Creek Healthcare will not be waived.

### **Services Available at Extra Charge**

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

### **Personal Services Available**

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

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

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

### **Fees**

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

**TWIN LAKES FEE SCHEDULE 2019-2020**

<b><u>INDEPENDENT LIVING UNITS</u></b>			<b><u>MONTHLY OCCUPANCY CHARGE</u></b>	
<b>APARTMENTS:</b>	<b>SQ.FT.</b>	<b><u>ADMISSION</u></b>	<b>SINGLE</b>	<b>DOUBLE</b>
Heather; 1 BR	600	\$ 55,000	\$1590	\$2213
Laurel; 2 BR	800	\$ 65,000	\$1798	\$2421

**WITTENBERG:**

Edelweiss 1BR	819	\$ 75,000	\$1994	\$2617
Iris 2BR	969	\$ 90,000	\$2081	\$2704
Valerian 2BR	1007	\$ 90,000	\$2081	\$2704

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

**VILLAS:**

Acacia (A int.)	1311	\$125,000	\$2258	\$2881
Chestnut (C)	1311	\$133,000	\$2258	\$2881
Aspen (A ext.)	1311	\$139,000	\$2258	\$2881
Birch (B)	1602	\$158,000	\$2347	\$2970
Dogwood (D)	1677	\$168,000	\$2347	\$2970

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

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

**GARDEN HOMES:**

Juniper	1750	\$318,000	\$2512	\$3152
Evergreen	1888	\$344,000	\$2684	\$3324
Forsythia	1960	\$364,000	\$2684	\$3324
Gardenia	2000	\$376,000	\$2856	\$3496
Holly/Ivy	2200	\$415,000	\$3023	\$3663

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

**DEACON POINTE ASSISTED LIVING APARTMENTS:**

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

	<b><u>MONTHLY OCCUPANCY CHARGE</u></b>	
	<b>SINGLE</b>	<b>DOUBLE</b>
Small apartment	\$5120	\$7498
Large apartment	\$5447	\$7825

**COBLE CREEK HEALTHCARE**

Semi-private	\$285 per day
Private	\$295 per day

**MONETA SPRINGS MEMORY CARE**

Semi-private	\$292 - \$302 per day
Private	\$302 - \$312 per day

***PERIODIC CHARGES as needed:***

**Adult Day Care:** 1-2 days per week: \$68 per day    3+ days per week: \$64 per day

**Home Care Services**    \$23 per hour

**Housekeeping:** \$21 per hour

*All fees above are effective October 1, 2019 until future changes deemed appropriate by the board of Lutheran Retirement Ministries of Alamance County, North Carolina.*

**OCCUPANCY CHARGES FOR PREVIOUS FIVE FISCAL YEARS**

	<b>FY 2014/ 2015</b>	<b>FY 2015/ 2016</b>	<b>FY 2016/ 2017</b>	<b>FY 2017/ 2018</b>	<b>FY 2018/ 2019</b>
<b>(MONTHLY)</b>					
<b>Heather (1BR)</b>	\$ 1338	\$ 1388	\$ 1433	\$ 1483	\$ 1533
<b>Laurel (2BR)</b>	1511	1568	1619	1676	1733
<b>(MONTHLY)</b>					
<b>Wittenberg (1BR)</b>	1676	1739	1796	1859	1922
<b>Wittenberg (2BR)</b>	1749	1815	1874	1940	2006
<b>(MONTHLY)</b>					
<b>Villa A/C</b>	1898	1969	2033	2104	2176
<b>Villa B</b>	1973	2047	2114	2188	2262
<b>Villa D</b>	1973	2047	2114	2188	2262
<b>(MONTHLY)</b>					
<b>Garden J</b>	2112	2191	2262	2341	2421
<b>Garden E/F</b>	2256	2341	2417	2502	2587
<b>Garden G</b>	2401	2491	2572	2662	2753
<b>Garden H/I</b>	2542	2637	2723	2818	2914
<b>(MONTHLY)</b>					
<b>Deacon Pointe</b>	<u>Large</u>	<u>Large</u>	<u>Large</u>	<u>Large</u>	<u>Large</u>
<b>Assisted Living</b>	\$4,579	\$4,751	\$4,905	\$5,077	\$5,250
<i>(3 meals included)</i>	<u>Small</u>	<u>Small</u>	<u>Small</u>	<u>Small</u>	<u>Small</u>
	\$4,306	\$4,467	\$4,612	\$4,773	\$4,935
<b>(DAILY)</b>					
<b>Coble Creek</b>	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>
<b>Healthcare</b>	\$ 248	\$ 257	\$ 265	\$ 274	\$ 284
<b>Skilled Nursing &amp; ACH</b>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>
	\$ 238	\$ 247	\$ 255	\$ 264	\$ 274
<b>(DAILY)</b>					
<b>Moneta Springs</b>	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>
<b>Memory Care</b>	\$ 264	\$ 273	\$ 282	\$ 291	\$ 301
<b>Skilled Nursing</b>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>
	\$ 254	\$ 263	\$ 272	\$ 281	\$ 291
<b>(DAILY)</b>					
<b>Moneta Springs</b>	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>
<b>Memory Care</b>	\$ 254	\$ 263	\$ 272	\$ 281	\$ 291
<b>ACH</b>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>
	\$ 244	\$ 253	\$ 262	\$ 271	\$ 281

All rates above are for SINGLE occupancy.

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

	<b>FY 2014- 2015</b>	<b>FY 2015- 2016</b>	<b>FY 2016- 2017</b>	<b>FY 2017- 2018</b>	<b>FY 2018- 2019</b>	<b>5 YR. AVE. INCREASE</b>
<b>(MONTHLY)</b>						
<b>Heather (1BR)</b>	\$42	\$50	\$45	\$50	\$50	\$47.40
<b>Laurel (2BR)</b>	\$48	\$57	\$51	\$57	\$57	\$54.00
<b>(MONTHLY)</b>						
<b>Wittenberg (1BR)</b>	\$53	\$63	\$57	\$63	\$63	\$59.80
<b>Wittenberg (2BR)</b>	\$55	\$66	\$59	\$66	\$66	\$62.40
<b>(MONTHLY)</b>						
<b>Villa A/C</b>	\$60	\$71	\$64	\$71	\$72	\$67.60
<b>Villa B</b>	\$62	\$74	\$67	\$74	\$74	\$70.20
<b>Villa D</b>	\$62	\$74	\$67	\$74	\$74	\$70.20
<b>(MONTHLY)</b>						
<b>Garden J</b>	\$66	\$79	\$71	\$79	\$80	\$75.00
<b>Garden E/F</b>	\$71	\$85	\$76	\$85	\$85	\$80.40
<b>Garden G</b>	\$76	\$90	\$81	\$90	\$91	\$85.60
<b>Garden H/I</b>	\$80	\$95	\$86	\$95	\$96	\$90.40
<b>(MONTHLY)</b>						
<b>Deacon Pointe Assisted Living (3 meals included)</b>	<u>Large</u> \$144	<u>Large</u> \$172	<u>Large</u> \$154	<u>Large</u> \$172	<u>Large</u> \$173	\$163.00
	<u>Small</u> \$136	<u>Small</u> \$161	<u>Small</u> \$145	<u>Small</u> \$161	<u>Small</u> \$162	\$153.00
<b>(DAILY)</b>						
<b>Coble Creek Healthcare Skilled Nursing and ACH</b>	<u>Private</u> \$8	<u>Private</u> \$9	<u>Private</u> \$8	<u>Private</u> \$9	<u>Private</u> \$10	\$8.80
	<u>Semi-pvt.</u> \$8	<u>Semi-pvt.</u> \$9	<u>Semi-pvt.</u> \$8	<u>Semi-pvt.</u> \$9	<u>Semi-pvt.</u> \$10	\$8.80
<b>(DAILY)</b>						
<b>Moneta Springs Memory Care Skilled Nursing</b>	<u>Private</u> \$8	<u>Private</u> \$9	<u>Private</u> \$9	<u>Private</u> \$9	<u>Private</u> \$10	\$9.00
	<u>Semi-pvt.</u> \$8	<u>Semi-pvt.</u> \$9	<u>Semi-pvt.</u> \$9	<u>Semi-pvt.</u> \$9	<u>Semi-pvt.</u> \$10	\$9.00
<b>(DAILY)</b>						
<b>Moneta Springs Memory Care ACH</b>	<u>Private</u> \$8	<u>Private</u> \$9	<u>Private</u> \$9	<u>Private</u> \$9	<u>Private</u> \$10	\$9.00
	<u>Semi-pvt.</u> \$8	<u>Semi-pvt.</u> \$9	<u>Semi-pvt.</u> \$9	<u>Semi-pvt.</u> \$9	<u>Semi-pvt.</u> \$10	\$9.00

August 27, 2019

Resident Name  
Address Line 1  
Burlington, NC 27215

Dear Resident Name(s):

At the meeting of our Board of Directors on August 20, 2019, the Twin Lakes Community operating budget and resident fee schedules for the fiscal year October 1, 2019 through September 30, 2020 were reviewed and approved. Effective October 1, 2019, Independent Living resident monthly occupancy charges will increase by 3.75% over current rates.

The monthly occupancy charge for your residence beginning October 1, 2019, including any applicable second person charge, will be \$New Rate. A copy of the entire fee schedule is included with this letter.

The approved budget includes an average 2.5% wage increase for Twin Lakes Community employees. Employees also have the opportunity to earn an additional 1% wage increase based on offering excellent customer service. This budget increases the minimum wage paid to Twin Lakes Community employees with 90 days of service from \$10.75 per hour to \$11.00 per hour. Offering competitive salaries and benefits allows us to attract and keep the best employment candidates while ensuring that all our staff earns a living wage.

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

We have scheduled two meetings to discuss the budget with you and to answer questions you may have. Both meetings will be held in the Gathering Room of the Fitness Center. The first is scheduled for Friday, August 30 at 1:30 p.m. The second will be held Wednesday, September 4 at 1:30 p.m. We look forward to seeing you at one of these meetings.

Sincerely,

/s/

Jackie S. Cole  
Chair of the Board of Directors

/s/

Pamela S. Fox  
President / Chief Executive Officer

## RESERVES, ESCROWS, AND TRUSTS

### Reserves

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

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

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

On September 30, 2019, there was \$7,047,453 in cash and operating reserves and a reserve requirement of \$6,376,225.

2019-2020 Projected Total Operating Costs:	\$ 31,645,600
Add Payments of Long-Term Debt	855,000
MINUS Depreciation and Amortization:	<u>(6,995,700)</u>
Operating Reserve Requirement:	
Total Operating Costs for 2019-2020:	<b>\$ 25,504,900</b>
TOTAL Operating Reserve Required	
as of September 30, 2019	
for the 2019-2020 fiscal year:	\$ 6,376,225
(25% based on occupancy exceeding 90%)	

The responsibility for maintenance of the reserves and the investing of the reserves rests with the President/CEO and the Chief Financial Officer. All investment decisions are shared with the Executive and Finance Committees of the board of directors and subsequently reported to the board of directors. As of September 30, 2019, Operating Reserve Investments were as follows:

Investment Account:	
Fixed Income Securities	\$ 2,842,954
Equity Securities	4,188,754
Accrued Interest	<u>15,745</u>
	\$ 7,047,453



## FINANCIAL FORECAST

The financial forecast included in this Disclosure Statement for the years ending September 30, 2020 through September 30, 2024, includes the following construction during the next five years. There will usually be differences between forecasted and actual construction because the events and circumstances frequently do not occur as expected and those differences may be material.

<u>Year</u>	<u>Description of Construction</u>	<u>Forecast Construction Cost</u>
2020	Renovations & Capital Replacement	\$ 2,200,000
2020	Site Development	300,000
2020	Harris Park	1,214,600
2021	Renovations & Capital Replacement	2,200,000
2021	Site Development	300,000
2021	Fitness/Boland Center Renovation	5,900,000
2021	Skilled Nursing Facility Replacement	54,500,000
2021	Demolition ( <i>old Skilled Nursing facility</i> )	500,000
2021	Garden Homes ( <i>28 units</i> )	14,242,300
2021	Garden Homes Site Work	2,057,700
2022	Renovations & Capital Replacement	2,200,000
2022	Site Development	300,000
2023	Renovations & Capital Replacement	2,200,000
2023	Site Development	300,000
2024	Renovations & Capital Replacement	2,200,000
2024	Site Development	<u>1,171,300</u>
		<b>\$ 91,785,900</b>
	<i>Less Costs Incurred thru 09/30/19</i>	<u>(12,293,500)</u>
		<b><u>\$ 81,052,400</u></b>

Twin Lakes has continually developed and renovated its campus throughout its 38-year history. Twin Lakes uses a master campus plan that projects construction projects up to ten years in the future. Our goal is to maintain the soundness of our facilities and the beauty of our campus, both for current residents and for prospective residents. This forecast also projects we will spend approximately \$2,200,000 each year to renovate existing structures and replace existing equipment. This five-year forecast also includes the replacement of the current 104-bed skilled nursing facility which will cost approximately \$54 million and will be financed through the issuance of tax exempt bonds. The forecast also includes renovations to our current Boland Community building and Fitness Center. We are also adding a new park on campus that will provide an outdoor gathering place for our residents and employees as well as their family members.

## **FINANCIAL DATA**

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

**Certified Financial Statements:** Copies of the certified financial statements for the year ending September 30, 2019 are included as **Attachment 1**.

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

**Forecasted versus Actual:** Included as **Attachment 3** is a comparison of ACTUAL Balance Sheet, Statement of Operations, and Statement of Cash Flows for 2018-2019 versus the PROJECTED Balance Sheet, Statement of Operations, and Statement of Cash Flows included in last year's disclosure statement.

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

### **Interim Financial Statements**

A copy of the LRM Interim Financial Statements as of December 31, 2019 is included as **Attachment 5**.

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

**d/b/a**

**TWIN LAKES COMMUNITY**

**DISCLOSURE STATEMENT**

**ATTACHMENT 1**

**CURRENT CERTIFIED FINANCIAL STATEMENT**

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

2019 Audited Financial Statements

For The Years Ended September 30, 2019 and 2018

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Gilliam Bell Moser<sup>LLP</sup>  
we hear you

## INDEPENDENT AUDITORS' REPORT

January 15, 2020

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

We have audited the accompanying financial statements of Lutheran Retirement Ministries of Alamance County, North Carolina (a nonprofit organization) which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of operations, changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### *Auditors' Responsibility*

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

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

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



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

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lutheran Retirement Ministries of Alamance County, North Carolina as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States.

*Gillian Bell Moser LLP*

Certified Public Accountants  
Burlington, North Carolina  
January 15, 2020

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**STATEMENTS OF FINANCIAL POSITION**  
September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 14,429,911	\$ 18,054,034
Investments	6,806,182	6,201,502
Accounts receivable - net	1,157,340	1,258,124
Prepaid expenses	14,700	-
Inventory	<u>265,088</u>	<u>207,762</u>
 Total current assets	 <u>22,673,221</u>	 <u>25,721,422</u>
 Assets whose use is limited:		
Cash and cash equivalents	1,225,610	1,083,462
Cash held for state operating reserve	-	9,479
Investments	2,631,747	2,602,302
Investments held for state operating reserve	6,756,230	6,694,231
Interest receivable restricted for operating reserve	<u>-</u>	<u>16,178</u>
 Total assets whose use are limited	 <u>10,613,587</u>	 <u>10,405,652</u>
 Other assets:		
Long-term investments	388,760	331,263
Property and equipment - net	<u>91,127,340</u>	<u>83,341,656</u>
 Total other assets	 <u>91,516,100</u>	 <u>83,672,919</u>
 Total assets	 <u>\$ 124,802,908</u>	 <u>\$ 119,799,993</u>

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



**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**STATEMENTS OF FINANCIAL POSITION**  
September 30, 2019 and 2018

	2019	2018
Current liabilities:		
Current maturities of long-term debt	\$ 620,130	\$ 2,355,000
Accounts payable	782,197	718,857
Construction contracts payable	2,474,755	228,824
Accrued expenses	2,367,888	2,110,547
Deferred revenue	3,318,594	3,177,145
Deposits on unoccupied units	1,157,133	138,129
Reserve on derivative contract	248,033	131,324
 Total current liabilities	 10,968,730	 8,859,826
 Long-term debt, excluding current maturities	 15,986,805	 16,595,109
Deferred revenue	31,344,828	29,991,994
Refundable admission fees	16,566,510	15,971,275
Reserve on derivative contract	616,132	468,778
 Total liabilities	 75,483,005	 71,886,982
 Net assets:		
Without donor restrictions:		
Designated by board	15,349,021	14,632,663
Undesignated	30,278,119	29,746,958
 Total without donor restrictions	 45,627,140	 44,379,621
 With donor restrictions:		
Purpose restriction	929,947	863,511
Perpetual in nature	2,762,816	2,669,879
 Total net assets	 49,319,903	 47,913,011
 Total liabilities and net assets	 <u>\$ 124,802,908</u>	 <u>\$ 119,799,993</u>

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

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**STATEMENTS OF OPERATIONS**  
For the Years Ended September 30, 2019 and 2018

	2019	2018
Revenues, gains and other support:		
Admission fees earned	\$ 4,419,071	\$ 4,098,300
Ancillary services	1,536,092	1,481,488
Assisted living	2,073,610	1,887,286
Dietary	411,861	440,717
Home care and adult day care	753,669	690,069
Independent living facilities	11,159,638	10,926,761
Memory care	3,337,945	3,257,549
Nursing care	9,663,472	8,968,404
Other operating revenues from residents	334,615	324,855
Gain (loss) on disposal of property and equipment	(457,096)	15,966
Investment return - net	521,334	491,840
Donations and grants without donor restrictions	160,193	143,964
	33,914,404	32,727,199
Less:		
Medicare and Medicaid contractual adjustments	2,165,839	1,906,882
Charitable and other contractual allowances	431,661	470,747
Bad debts	108,630	134,963
Total revenues, gains and other support	31,208,274	30,214,607
Operating expenses:		
Activities and social services	320,343	295,145
Ancillary services	963,433	896,930
Assisted living	1,013,172	888,773
Home care and adult day care	774,277	791,040
Independent living	1,676,409	1,646,786
Memory care	2,157,165	2,115,507
Nursing services	4,864,385	4,570,119
Support services	7,570,261	7,215,292
Administrative and general	3,285,923	3,325,778
Depreciation	6,575,588	5,165,449
Interest and related fees	777,538	802,172
Total operating expenses	29,978,494	27,712,991
Operating income	\$ 1,229,780	\$ 2,501,616

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

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
For the Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Change in net assets without donor restrictions:		
Operating income	\$ 1,229,780	\$ 2,501,616
Interfund transfers	42,210	36,033
Net unrealized gain on investments	306,028	276,374
Change in value on derivative contract	(264,063)	488,172
Net assets transferred to restrictions	<u>(66,436)</u>	<u>(69,137)</u>
 Increase in net assets without donor restrictions	 <u>1,247,519</u>	 <u>3,233,058</u>
 Change in net assets with donor restrictions:		
Net assets transferred from those without restrictions	66,436	69,137
Investment return - net	88,874	224,986
Endowment donations	52,331	2,016
Interfund transfers	(42,210)	(36,033)
Net unrealized loss on investments	<u>(6,058)</u>	<u>(16,403)</u>
 Increase in net assets with donor restrictions	 <u>159,373</u>	 <u>243,703</u>
 Increase in net assets	 \$ 1,406,892	 \$ 3,476,761
 Net assets - beginning of year	 <u>47,913,011</u>	 <u>44,436,250</u>
 Net assets - end of year	 <u>\$ 49,319,903</u>	 <u>\$ 47,913,011</u>

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

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
For the Years Ended September 30, 2019 and 2018

	Program Services	Fundraising	Management and General	2019	Program Services	Fundraising	Management and General	2018
Advertising	\$ -	\$ -	\$ 50,336	\$ 50,336	\$ -	\$ -	\$ 64,629	\$ 64,629
Contracted services	30,629	-	-	30,629	-	-	-	-
Contributions	66,865	34,305	-	101,170	93,250	19,163	-	112,413
Depreciation	6,444,076	-	131,512	6,575,588	5,062,140	-	103,309	5,165,449
Employee benefits	2,651,089	8,192	245,557	2,904,838	2,801,608	7,442	255,245	3,064,295
Food purchases	962,967	-	-	962,967	965,817	-	-	965,817
Insurance	535,897	-	10,937	546,834	505,197	-	10,310	515,507
Interest and related fees	761,987	-	15,551	777,538	689,203	-	112,969	802,172
Other expenses	-	31,203	-	31,203	-	24,653	-	24,653
Outside consultants	884,271	-	45,858	930,129	764,317	-	116,373	880,690
Legend drugs	75,234	-	-	75,234	130,203	-	-	130,203
Professional fees	-	-	211,558	211,558	-	-	116,883	116,883
Salaries and wages	10,852,029	35,045	1,304,529	12,191,603	9,996,332	29,812	1,373,656	11,399,800
Supplies and other expenses	2,412,985	-	664,358	3,077,343	2,305,727	-	681,345	2,987,072
Utilities	1,481,294	-	30,230	1,511,524	1,453,740	-	29,668	1,483,408
	<u>\$ 27,159,323</u>	<u>\$ 108,745</u>	<u>\$ 2,710,426</u>	<u>\$ 29,978,494</u>	<u>\$ 24,767,534</u>	<u>\$ 81,070</u>	<u>\$ 2,864,387</u>	<u>\$ 27,712,991</u>

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

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended September 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash received from residents and third party payers	\$ 33,139,067	\$ 30,430,096
Investment income received	521,990	330,281
Donations - net	115,023	106,714
Cash paid to suppliers and employees	(21,862,622)	(21,605,293)
Interest paid and related fees	(801,362)	(827,471)
Net cash provided by operating activities	11,112,096	8,434,327
Cash flows from investing activities:		
Acquisition of property and equipment	(12,598,827)	(7,685,594)
Proceeds from sale of property and equipment	26,392	26,061
Proceeds from sale of investments	7,662,330	5,543,798
Purchases of investments	(7,987,761)	(6,155,650)
Net cash used in investing activities	(12,897,866)	(8,271,385)
Cash flows from financing activities:		
Refundable admission fees received	1,189,460	1,502,800
Admission fees refunded	(594,225)	(420,000)
Proceeds from Memorial Garden fees	1,750	1,500
Endowment donations	52,331	2,016
Principal payments on long-term debt	(2,355,000)	(2,290,000)
Net cash used in financing activities	(1,705,684)	(1,203,684)
Net decrease in cash	(3,491,454)	(1,040,742)
Cash and cash equivalents - beginning of year	19,146,975	20,187,717
Cash and cash equivalents - end of year	\$ 15,655,521	\$ 19,146,975

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

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended September 30, 2019 and 2018

	2019	2018
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ 1,406,892	\$ 3,476,761
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Endowment donations	(52,331)	(2,016)
Change in value on derivative contract	264,063	(488,172)
(Gain) loss on disposal of property and equipment	457,096	(15,966)
Amortization of deferred revenues from admission fees	(4,419,071)	(4,098,300)
Receipt of non-refundable admission fees	7,023,875	4,774,833
Refunds on non-refundable contracts	(93,268)	(92,225)
Depreciation	6,575,588	5,165,449
Amortization of debt issuance costs	11,825	13,642
Amortization of occupancy fees	-	(45,655)
Net decrease in receivables and inventory	59,636	309,062
Net (increase) decrease in prepaid expenses	(14,700)	16,902
Net increase in accounts payable and accrued expenses	320,681	91,587
Net unrealized gain investments	(299,970)	(259,971)
Net realized gain on investments	(128,220)	(411,604)
 Net cash provided by operating activities	 \$ 11,112,096	 \$ 8,434,327

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

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2019 and 2018

**Note 1: Summary of Significant Accounting Policies**

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

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

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

**Cash and cash equivalents** - Cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of three months or less. The Organization maintains its cash balances in board-designated banks located in North Carolina. There is credit risk exposure for certain cash balances that exceed federally insured limits of \$250,000. The amounts in excess of the FDIC limit totaled \$14,397,434 and \$18,909,344 at September 30, 2019 and 2018, respectively.

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

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

**Accounts receivable - net** - Accounts receivable are stated net of an allowance for doubtful accounts. This allowance is based on management's estimate of the amount of current receivables, which will prove to be uncollectible. To help mitigate risk associated with trade receivables, management evaluates each customer's risk prior to extending credit. Management does not believe significant credit risk exists at September 30, 2019 and 2018.

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

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2019 and 2018

**Note 1: Summary of Significant Accounting Policies (continued)**

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

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

The Organization periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of any asset may not be recoverable.

**Debt issuance costs** - Costs associated with obtaining long-term debt are amortized over the debt period. The costs related to the 2009 and 2010 series bonds have been amortized on the effective interest method for the years ending September 30, 2019 and 2018.

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

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

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

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

**Derivative instruments** - The Organization uses interest rate swap agreements to reduce the exposure to adverse and unanticipated changes in interest rates. The Organization does not use derivative instruments for trading or speculative purposes. The fair value of the interest rate swap is included in the statement of net position as a liability.



**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2019 and 2018

**Note 1: Summary of Significant Accounting Policies (continued)**

**Advertising costs** - The Organization expenses advertising costs as incurred. Total advertising costs for the years ended September 30, 2019 and 2018 were \$50,336 and \$64,629, respectively.

**Functional allocation of expenses** - The costs of program and supporting services activities have been summarized on a functional basis in the statements of operations. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Obligation to provide future services** - The Organization annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from admission fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from admission fees, a liability is recorded (obligation to provide future services and use of facilities) against the corresponding charge to income. As of September 30, 2019 and 2018, this computation did not require a liability to be recorded.

**Net assets** - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (i.e. when a stipulated time restriction ends or a purpose restriction is accomplished) in the year in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When the restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of changes in net assets as net assets are transferred from restrictions.

**Change in accounting principle** - On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2019 and 2018

**Note 2: Available Resources and Liquidity**

The following reflects the Organization's financial assets as of year-end, reduced by amounts not available for general use due to the board designations or donor-imposed restrictions.

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 14,429,911	\$ 18,054,034
Investments	6,806,182	6,201,502
Accounts receivable -net	<u>1,157,340</u>	<u>1,258,124</u>
Financial assets available	\$ 22,393,433	\$ 25,513,660
Less scheduled debt service payments	2,891,952	3,156,362
Less board restrictions	<u>8,592,791</u>	<u>7,912,775</u>
	<u>\$ 10,908,690</u>	<u>\$ 14,444,523</u>

The Organization routinely collects patient fees and has sufficient cash to fund near-term operating expenses. Furthermore, management and the Board monitor public support and revenues through regular review of the budget and financial information.

**Note 3: Cash and Cash Equivalents**

Cash and cash equivalents are summarized as follows:

	<u>2019</u>	<u>2018</u>
Board Designated:		
Medical self-insurance	\$ 934,518	\$ 613,061
Capital reserve	962,228	939,741
Debt service	94,267	83,954
Undesignated	12,438,898	16,417,278
Assets Whose Use is Limited:		
State mandated reserve	-	9,479
Resident trust funds	1,216	951
Resident assistance – operating	526,343	511,195
Resident assistance – endowment	31,964	15,453
Donations	403,604	352,316
Sullivan Trust	98,044	51,092
Chapel fund	1,064	1,032
Memorial Garden fund	<u>163,375</u>	<u>151,423</u>
	<u>\$ 15,655,521</u>	<u>\$ 19,146,975</u>

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2019 and 2018

**Note 4: Assets Whose Use Is Limited**

The composition of assets whose use is limited is as follows:

	2019	2018
Operating Fund:		
State mandated reserve	\$ 6,756,230	\$ 6,719,888
Resident trust funds	1,219	951
Donations	403,604	352,316
Memorial Garden fund	163,375	151,423
Resident assistance	526,343	511,195
Endowment Fund:		
Sullivan Trust	2,147,109	2,108,384
Resident assistance	575,675	521,471
Chapel fund	40,032	40,024
	<u>\$ 10,613,587</u>	<u>\$ 10,405,652</u>

**Note 5: Property and Equipment**

Property and equipment are summarized as follows:

	2019	2018
Land	\$ 8,694,791	\$ 8,647,965
Land improvements	15,654,530	15,611,417
Buildings	115,888,899	112,369,400
Paving	1,131,764	1,131,764
Furniture and equipment	10,882,329	10,657,821
Construction in progress	12,293,460	2,859,702
	164,545,773	151,278,069
Less accumulated depreciation	73,418,433	67,936,413
Property and equipment - net	<u>\$ 91,127,340</u>	<u>\$ 83,341,656</u>

**Note 6: Accounts Receivable**

Accounts receivable are summarized as follows:

	2019	2018
Resident services	\$ 1,436,163	\$ 1,440,027
Sales tax	95,349	134,117
Interest receivable	31,528	16,480
	1,563,040	1,590,624
Less allowance for doubtful accounts	405,700	332,500
Accounts receivable - net	<u>\$ 1,157,340</u>	<u>\$ 1,258,124</u>

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2019 and 2018

**Note 7: Investments and Fair Value**

**Investments** - The following schedule summarizes the fair value of investments.

Investments are categorized as follows:

	2019	2018
Undesignated	\$ 311,625	\$ 29,969
Board Designated:		
Debt service	3,713,628	3,525,915
Capital reserve	2,780,929	2,645,618
Education endowment	203,566	203,676
Deferred compensation	185,194	127,587
Assets Whose Use is Limited:		
State mandated reserve	6,756,230	6,694,231
Resident assistance	543,714	506,018
Sullivan Trust	2,049,065	2,057,292
Chapel	38,968	38,992
	\$ 16,582,919	\$ 15,829,298

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

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
  
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
  
- Level 3: Unobservable inputs that are supported by little or no market activity. Level 3 assets are those whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques with significant unobservable inputs, as well as instruments for which the determination of fair value requires significant judgement or estimation.

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2019 and 2018

**Note 7: Investments and Fair Value (continued)**

Fair value measurements at September 30, 2019:

	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Assets:				
Equity securities	\$ 7,513,873	\$ 7,513,873	\$ -	\$ -
Fixed income securities	8,952,920	8,952,920	-	-
Closely held company securities	<u>116,126</u>	<u>-</u>	<u>116,126</u>	<u>-</u>
Total assets	<u>\$ 16,582,919</u>	<u>\$ 16,466,793</u>	<u>\$ 116,126</u>	<u>\$ -</u>
Liabilities:				
Interest rate swaps	<u>\$ 864,165</u>	<u>\$ -</u>	<u>\$ 864,165</u>	<u>\$ -</u>

Fair value measurements at September 30, 2018:

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

The Organization incurred investment fees in the amount of \$102,167 and \$84,631 during the years ended September 30, 2019 and 2018, respectively.

**Note 8: Reconciliation of Endowment Funds**

Changes in endowment net assets, for the years ended September 30, 2019 and 2018, are as follows:

	<u>2019</u>	<u>Board Designated</u>	<u>With Donor Restriction</u>
Endowment net assets – beginning of year	\$ 2,878,960	\$ 209,081	\$ 2,669,879
Donations	52,331	-	52,331
Interest and dividends	68,771	4,814	63,957
Fees	(23,823)	(2,025)	(21,798)
Net realized and unrealized gains and losses	37,909	(2,748)	40,657
Appropriation of endowment assets for expenditures	<u>(42,210)</u>	<u>-</u>	<u>(42,210)</u>
Endowment net assets – end of year	<u>\$ 2,971,938</u>	<u>\$ 209,122</u>	<u>\$ 2,762,816</u>

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2019 and 2018

**Note 8: Reconciliation of Endowment Funds (continued)**

	<u>2018</u>	<u>Board Designated</u>	<u>With Donor Restriction</u>
Endowment net assets – beginning of year	\$ 2,691,092	\$ 195,779	\$ 2,495,313
Contributions and bequests	2,016	-	2,016
Interest and dividends	59,612	3,987	55,625
Fees	(25,299)	(2,041)	(23,258)
Net realized and unrealized gains	187,572	11,356	176,216
Appropriation of endowment assets for expenditures	<u>(36,033)</u>	<u>-</u>	<u>(36,033)</u>
Endowment net assets – end of year	<u>\$ 2,878,960</u>	<u>\$ 209,081</u>	<u>\$ 2,669,879</u>

**Note 9: Deferred Gifts**

The Organization has been designated as the beneficiary of a number of life insurance policies, gift annuities and charitable remainder trusts. As of September 30, 2019 and 2018 the gross amount of gifts made were approximately \$1,474,000; the estimated present value of the gifts are approximately \$744,000 and \$659,000, respectively. In most cases, donors have the ability to stipulate terms of the giving, thus adding an element of uncertainty regarding present value and beneficiary status. It is management's opinion that these deferred gifts are conditional, and they have not been recorded in the financial statements.

**Note 10: Interfund Payable**

At September 30, 2019 and 2018 the Organization had an interfund payable due to the Operating Fund from the Endowment Fund in the amount of \$36,146 and \$29,969, respectively.

**Note 11: Accrued Expenses**

Accrued expenses consist of the following:

	<u>2019</u>	<u>2018</u>
Salaries and wages	\$ 584,342	\$ 475,185
Paid annual leave	1,015,506	982,899
Profit sharing contribution	381,930	329,317
Deferred compensation	235,194	172,587
Payroll taxes	916	559
Self-insurance claims	<u>150,000</u>	<u>150,000</u>
	<u>\$ 2,367,888</u>	<u>\$ 2,110,547</u>

**Note 12: Paid Annual Leave**

The Organization's employees are allowed to accumulate paid annual leave up to a maximum 60 days as of September 30 each year. Paid annual leave is payable when the leave is taken or upon the favorable termination of the employee. A limited provision was available for the annual buy-back of unused paid annual leave in excess of the accrual limits. The Organization recorded a liability of \$1,015,506 and \$982,899 for accrued paid annual leave at September 30, 2019 and 2018, respectively.

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2019 and 2018

**Note 13: Deferred Revenue**

Deferred revenue at September 30, 2019 and 2018 consists of the following:

	2019	2018
Admission fees	\$ 34,539,172	\$ 33,046,639
Memorial gardens	124,250	122,500
	\$ 34,663,422	\$ 33,169,139

**Note 14: Long-Term Debt**

Long-term debt consists of the following:

	2019	2018
<p>During the year ended September 30, 2010, the Organization, through the North Carolina Medical Care Commission issued \$29,630,000 of 2009 bank qualified bonds. The principal is due in annual installments from January 1, 2014 through January 1, 2037. Effective December 11, 2012, the interest component is payable monthly at a variable rate of 68% of one-month LIBOR plus a credit spread of 1.2125% and is subject to renewal risk after the term of the agreement expires on January 1, 2023. The interest rate is managed through a swap agreement disclosed in Note 16. The debt is secured by the property and equipment of the Organization as well as the rents derived from the property.</p>	\$ 16,700,000	\$ 19,055,000
<p>Less current maturities of long-term debt</p>	16,700,000	19,055,000
<p>Less unamortized debt issuance costs</p>	620,130	2,355,000
	93,065	104,891
	\$ 15,986,805	\$ 16,595,109

Scheduled principal maturities of long-term debt at September 30, 2019 are as follows:

2020	\$ 620,130
2021	634,636
2022	968,274
2023	1,004,539
2024	1,040,803
Thereafter	12,431,618
	\$ 16,700,000

The Organization has various financial covenants relating to the aforementioned debt. As of September 30, 2019, all financial covenants were met.

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2019 and 2018

**Note 15: Reserve on Derivative Contracts**

The Organization has an interest rate swap agreement, measured at fair value in Note 7, in order to minimize its exposure to the impact of interest rate changes on its long-term debt. This enables the Organization to maintain a synthetic fixed rate on a significant portion of its overall long-term debt. This type of hedging activity has been recorded as a cash flow hedge with the change in value on the derivative contracts recorded in the Statements of Changes in Net Assets. The swap agreement is structured whereby the Organization pays the swap counterparty effectively a fixed rate of 3.556% and receives a variable rate at 63% of 30 day LIBOR plus 0.3%. The notional amount at September 30, 2019 is \$8,475,000. This amount will reduce annually through January 1, 2028. The agreement with Branch Banking and Trust expires January 1, 2023; the interest rate and credit spread are subject to renewal risk at that time.

**Note 16: Assets Whose Use is Limited for State Mandated Reserve**

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

The operating reserve requirement of the Organization as of September 30, 2019 was \$6,756,230 based on current occupancy, which exceeds 90%, and projected 2019-2020 operating costs of \$27,024,920. The operating reserve balance at September 30, 2019 was \$6,756,230.

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

**Note 17: Net Assets with Donor Restrictions**

The following describes net assets restricted by donor with time restrictions:

Sullivan Trust - During the year ended September 30, 1988, Lutheran Retirement Ministries of Alamance County, North Carolina received a bequest from the estates of James and Beulah Sullivan. The will of James Sullivan requires that the bequest be held in trust for the benefit of the Organization with the income generated by the trust to be delivered to the Organization at least annually. The fair value of these net assets total \$2,147,109 and \$2,108,384 at September 30, 2019 and 2018, respectively.

Chapel Fund - Contributions have been made to the Chapel Endowment Fund, for the benefit of chapel maintenance. The assets of the fund are held in perpetuity. The fair value at years ended September 30, 2019 and 2018, are \$40,032 and \$40,024, respectively.

Residents Assistance Fund - Contributions have been made to the Resident Assistance Fund, for the benefit of the Organizations residents. The assets of the fund are held in perpetuity. The fair value at years ended September 30, 2019 and 2018, are \$575,675 and \$521,471, respectively.



**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2019 and 2018

**Note 17: Net Assets with Donor Restrictions (continued)**

The following is a summary of net assets restricted by donor for purpose:

	2019	2018
Resident assistance – operating	\$ 526,343	\$ 511,195
Donations	403,604	352,316
Net assets restricted by donor for purpose	\$ 929,947	\$ 863,511

**Note 18: Net Assets Designated by Board**

The following is a summary of board designated net assets:

	2019	2018
Operating Fund:		
Self-insurance	\$ 784,518	\$ 463,061
Capital reserve	3,743,158	3,592,460
Debt service	3,816,868	3,619,250
Memorial Garden	39,125	28,923
State mandated reserve	6,756,230	6,719,888
Endowment Fund:		
Education endowment	209,122	209,081
Board designated net assets	\$ 15,349,021	\$ 14,632,663

**Note 19: Retirement Plan**

The Organization maintains a defined contribution retirement plan covering substantially all of its full time employees. Effective October 1, 2013, the Organization adopted Safe Harbor provisions, requiring a three percent annual employer contribution, with additional employer contributions allowed, as approved by the Board of Directors. Prior to October 1, 2013, the board of directors of the Organization determined annually the amount, if any, of the annual employer contribution to the plan. The board of directors elected to make contributions of four percent of eligible compensation which totaled \$381,930 and \$329,317 for the years ending September 30, 2019 and 2018, respectively.

During the year ended September 30, 2015 the Board of Directors of the Organization established a supplemental benefit deferred compensation plan under IRS Code Section 457(f). Under the terms of the plan the Board may decide each year to make discretionary contributions for the benefit of select employees. The approved benefits are payable on a specified distribution date selected by the Board of Directors. Benefits under the plan generally vest on the specified distribution date to employees still employed on that date. The Board of Directors approved contributions to the Plan for the years ended September 30, 2019 and 2018 of \$50,000 and \$45,000, respectively. The amount funded totaled \$45,000 and \$40,000 during the years ended September 30, 2019 and 2018.

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2019 and 2018

**Note 20: Self-Funded Medical Insurance Plan**

The Organization maintains an employee benefits plan to provide substantially all employees with medical benefits. The plan obtains insurance from commercial carriers to cover any payments required by the plan in excess of \$90,000 per individual per plan year, increased from \$85,000 in 2018.

**Note 21: Risk Management**

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

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

As discussed in Note 15, the Organization has an interest rate swap agreement in order to minimize its exposure to the impact of interest rate changes on its long-term debt. The swap agreements have been recorded on the statement of financial position at their fair value, and any changes in fair value have been recorded in the statement of changes in net assets.

**Note 22: Contingencies**

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

The total amount of contractual refund obligations was \$23,275,928 and \$22,461,642 at September 30, 2019 and 2018, respectively. Of the total amount, \$16,566,510 and \$15,971,275 are for the 50% refundable admission fees at September 30, 2019 and 2018, respectively.

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

**Note 23: Operating Leases**

The Organization has leases for equipment, which are classified as operating leases. Rent expense for the operating leases was \$56,655 and \$56,224 for the years ended September 30, 2019 and 2018, respectively.

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

2020	\$ 10,719
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**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2019 and 2018

**Note 24: Concentrations of Credit Risk**

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

**Note 25: Tax Status**

Lutheran Retirement Ministries of Alamance County, North Carolina is exempt from Federal and North Carolina Income Taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has determined that it does not have any material unrecognized tax benefits or obligations and believes they are no longer subject to income tax examinations for years prior to September 30, 2016.

**Note 26: Construction Commitments and Credit Facility**

Commitment: The Organization has commitments for construction projects in connection with building and improvement additions, including the construction of a new nursing facility. The cost to complete the projects at September 30, 2019 was \$59,410,019.

Impairment test: The current facility has been evaluated by management for impairment. Management tested the facility for recoverability by comparing the expected undiscounted cash flows to the carrying amount of the nursing facility and related assets. As the expected undiscounted cash flows exceeded the carrying amount of the assets, management determined that the carrying value was recoverable. Thus, the nursing facility is not considered to be impaired.

Credit facility: On October 9, 2019, the Organization, through the North Carolina Medical Care Commission issued bank qualified bonds to fund the construction of the new health care facility and refinance a former obligation described in Note 14.

The Organization issued \$42,860,000 of Series 2019A bonds, plus a bond premium of \$6,361,157. Payments are due in semi-annual installments from January 2020 through September 2049, with principal payments beginning in 2035. Interest is fixed at a rate of 4.15%.

Additionally, the Organization issued 23,025,000 of Series 2019B bonds. Payments are due in monthly installments from November 2019 through September 2034, with principal payments beginning in 2020. Interest is at a variable rate based on 79% of 30 day LIBOR +.77%. The interest rate is hedged through two new swap agreements. One has a notional amount of \$8,290,000 amortizing from October 2019 through January 2034 with a fixed rate of 1.232%. The other swap agreement has a notional amount of \$6,225,000 from June 2021 through January 2024 with a fixed rate of 1.203%.

Principal payments for the next five years are as follows:

2020	\$	855,000
2021		875,000
2022		1,335,000
2023		1,385,000
2024		1,435,000

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2019 and 2018

**Note 27: Resident Fee Income**

Net resident fee income consists of the following:

	2019	2018
Residency fees at normal billing rates:		
Admission fees earned	\$ 4,419,071	\$ 4,098,300
Ancillary service	1,536,092	1,481,488
Assisted living	2,073,610	1,887,286
Dietary sales to residents	202,640	206,416
Home care and adult day care	753,669	690,069
Independent living	11,159,638	10,926,761
Memory care	3,337,945	3,257,549
Nursing care	9,663,472	8,968,404
Other operating revenues from residents	334,615	324,855
	33,480,752	31,841,128
Adjustments:		
Medicare and Medicaid contractual adjustments	2,165,839	1,906,882
Charitable and other contractual adjustments	431,661	470,747
Bad debts	108,630	134,963
Net resident fee income	\$ 30,774,622	\$ 29,328,536

**Note 28: Charity Care and Community Benefit**

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

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

Charity care and community benefit are valued at cost and are summarized as follows.

	2019	2018
Charity care:		
Unreimbursed costs under Medicaid	\$ 1,756,501	\$ 1,218,588
Forgiven admission fees	-	-
Forgiven monthly and daily fees	383,156	199,235
Bad debt	44,865	35,503
Total charity care	2,184,522	1,453,326

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2019 and 2018

**Note 28: Charity Care and Community Benefit (continued)**

Community benefit:

Expenses incurred by the Organization to provide health, recreation, community research, and education activities to the community at large

176,103                      147,146

Charitable donations

109,145                      121,699

Donated volunteer services and space to community service projects and organizations

70,346                      69,953

Total community benefit

355,594                      338,798

Total charity care and community benefit

\$ 2,540,116                      \$ 1,792,124

**Note 29: Functional Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related benefits, outside consultants, supplies, and other expenses which are allocated based on estimates of time and effort. Likewise, depreciation, insurance, interest, and utilities are allocated based on a calculation of space used by the Organization.

**Note 30: Reclassification**

Certain 2018 items in the statements of financial position, statements of operations, statements of changes in net assets, and statements of cash flows have been reclassified to conform to current year presentation. These reclassifications had no effect on the increase in net assets or the net asset balances at year-end.

**Note 31: Subsequent Events**

The Organization has evaluated events and transactions that occurred between September 30, 2019 and January 15, 2020, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

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

**d/b/a**

**TWIN LAKES COMMUNITY**

**DISCLOSURE STATEMENT**

**ATTACHMENT 2**

**FIVE YEAR PROJECTION STATEMENT**

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

FINANCIAL FORECASTS

For The Years Ending September 30, 2020  
Through September 30, 2024

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D Summary of Significant Forecast Assumptions and Accounting Policies ..... 6





Gilliam Bell Moser LLP  
we hear you

## ACCOUNTANTS' COMPILATION REPORT

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

We have compiled the accompanying forecasted statements of financial position, statements of operations, statements of cash flows, and summary of significant forecast assumptions and accounting policies of Lutheran Retirement Ministries of Alamance County, North Carolina as of September 30, 2020 through September 30, 2024 and for the years then ending, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

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

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

*Gilliam Bell Moser LLP*

Certified Public Accountants  
February 25, 2020



**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**FORECASTED STATEMENTS OF FINANCIAL POSITION**  
September 30, 2020 Through September 30, 2024

	2020	2021	2022	2023	2024
<b>CURRENT ASSETS:</b>					
CASH AND CASH EQUIVALENTS	\$ 69,831,750	\$ 14,674,350	\$ 16,890,550	\$ 19,177,050	\$ 21,517,550
INVESTMENTS	7,146,500	7,503,800	7,879,000	8,273,000	8,686,700
ACCOUNTS RECEIVABLE (NET)	1,651,800	1,736,400	1,803,100	1,869,400	1,940,500
ACCRUED INTEREST RECEIVABLE	15,400	16,200	17,000	17,900	18,800
INVENTORY	278,400	292,300	306,900	322,200	338,300
<b>TOTAL CURRENT ASSETS</b>	<b>78,923,850</b>	<b>24,223,050</b>	<b>26,896,550</b>	<b>29,659,550</b>	<b>32,501,850</b>
<b>ASSETS WHOSE USE IS LIMITED :</b>					
CASH AND CASH EQUIVALENTS - DONATIONS	1,150,500	1,209,200	1,269,500	1,331,400	1,394,900
INVESTMENTS - RESTRICTED OPERATING RESERVE	6,810,800	7,388,200	7,647,500	7,881,700	8,275,800
LONG-TERM INVESTMENTS - ENDOWMENT	2,845,700	2,931,100	3,019,000	3,109,600	3,202,900
<b>TOTAL ASSETS WHOSE USE IS LIMITED</b>	<b>10,807,000</b>	<b>11,528,500</b>	<b>11,936,000</b>	<b>12,322,700</b>	<b>12,873,600</b>
<b>OTHER ASSETS :</b>					
LONG-TERM INVESTMENTS	355,500	417,600	482,100	549,100	618,700
PROPERTY AND EQUIPMENT, NET	87,832,500	149,923,300	146,927,200	143,900,500	140,918,100
DEFERRED BOND COSTS, NET	1,035,550	996,700	957,900	919,100	880,300
<b>TOTAL OTHER ASSETS</b>	<b>89,223,550</b>	<b>151,337,600</b>	<b>148,367,200</b>	<b>145,368,700</b>	<b>142,417,100</b>
<b>TOTAL ASSETS</b>	<b>\$ 178,954,400</b>	<b>\$ 187,089,150</b>	<b>\$ 187,199,750</b>	<b>\$ 187,350,950</b>	<b>\$ 187,792,550</b>
<b>CURRENT LIABILITIES:</b>					
CURRENT MATURITIES OF LONG-TERM DEBT	\$ 855,000	\$ 875,000	\$ 1,335,000	\$ 1,385,000	\$ 1,435,000
ACCOUNTS PAYABLE	765,100	800,500	834,500	849,200	856,800
ACCRUED EXPENSES	2,486,300	2,610,600	2,741,100	2,878,200	3,022,100
DEPOSITS ON UNOCCUPIED UNITS	1,157,100	867,800	867,800	867,800	911,200
<b>TOTAL CURRENT LIABILITIES</b>	<b>5,263,500</b>	<b>5,153,900</b>	<b>5,778,400</b>	<b>5,980,200</b>	<b>6,225,100</b>
LONG-TERM DEBT, EXCLUDING CURRENT MATURITIES	57,942,200	63,280,100	61,485,100	60,050,100	58,565,100
LONG-TERM DEBT, BOND PREMIUM	6,149,200	5,937,150	5,725,150	5,513,150	5,301,150
DEFERRED REVENUE FROM ADMISSION FEES - REFUNDABLE	7,044,900	6,692,700	6,023,400	5,119,900	4,095,900
DEFERRED REVENUE FROM ADMISSION FEES - NON-REFUNDABLE	30,915,200	31,796,400	32,163,900	32,759,500	33,430,600
REFUNDABLE ADMISSION FEES	20,718,500	21,216,500	21,216,500	21,216,500	21,216,500
RESERVE ON DERIVATIVE CONTRACT	864,200	864,200	864,200	864,200	864,200
<b>TOTAL LIABILITIES</b>	<b>128,897,700</b>	<b>134,940,950</b>	<b>133,256,650</b>	<b>131,503,550</b>	<b>129,698,550</b>
<b>NET ASSETS:</b>					
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>					
DESIGNATED BY BOARD FOR SELF-INSURANCE	823,800	865,000	908,300	953,700	1,001,400
DESIGNATED BY BOARD FOR ENDOWMENT	215,400	221,900	228,600	235,500	242,600
DESIGNATED BY BOARD FOR CAPITAL RESERVE	3,618,000	3,490,400	3,360,200	3,227,400	3,091,900
DESIGNATED BY BOARD FOR DEBT SERVICE	3,960,200	4,118,600	4,283,300	4,454,600	4,632,800
DESIGNATED BY BOARD FOR RESTRICTED OPERATING RESERVE	6,810,800	7,388,200	7,647,500	7,881,700	8,275,800
UNDESIGNATED	30,632,300	31,923,800	33,226,700	34,653,500	36,251,700
<b>TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>46,060,500</b>	<b>48,007,900</b>	<b>49,654,600</b>	<b>51,406,400</b>	<b>53,496,200</b>
<b>NET ASSETS WITH DONOR RESTRICTIONS:</b>					
PURPOSE RESTRICTION	1,150,500	1,209,200	1,269,500	1,331,400	1,394,900
PERPETUAL IN NATURE	2,845,700	2,931,100	3,019,000	3,109,600	3,202,900
<b>TOTAL NET ASSETS</b>	<b>50,056,700</b>	<b>52,148,200</b>	<b>53,943,100</b>	<b>55,847,400</b>	<b>58,094,000</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 178,954,400</b>	<b>\$ 187,089,150</b>	<b>\$ 187,199,750</b>	<b>\$ 187,350,950</b>	<b>\$ 187,792,550</b>

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

## LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA

## FORECASTED STATEMENTS OF OPERATIONS

For The Years Ending September 30, 2020 Through 2024

	2020	2021	2022	2023	2024
REVENUES, GAINS AND OTHER SUPPORT:					
NURSING CARE	\$ 10,004,300	\$ 10,244,100	\$ 10,559,000	\$ 10,901,000	\$ 11,272,100
MEMORY CARE	3,485,400	3,609,300	3,707,300	3,826,000	3,960,600
ASSISTED LIVING	2,030,700	2,101,700	2,151,000	2,226,400	2,304,300
INDEPENDENT LIVING	11,680,200	13,107,100	13,822,100	14,349,000	14,888,700
ADMISSION FEES EARNED	4,155,300	4,458,300	4,501,800	4,507,900	4,509,500
ANCILLARIES	1,524,500	1,731,700	1,783,300	1,840,900	1,904,100
HOME CARE AND ADULT DAY SERVICES	817,000	900,500	927,300	957,300	990,100
DIETARY	396,000	467,000	487,600	505,000	523,200
OTHER OPERATING REVENUES	391,700	363,300	378,000	391,300	405,300
INVESTMENT EARNINGS	508,300	895,300	355,400	386,300	417,900
NET UNREALIZED GAIN ON INVESTMENTS	6,300	6,500	6,700	6,900	7,100
DONATIONS	175,000	182,000	189,300	196,900	204,800
TOTAL	35,174,700	38,066,800	38,868,800	40,094,900	41,387,700
LESS: MEDICARE AND MEDICAID CONTRACTURAL ADJUSTMENTS	2,390,400	2,493,600	2,567,900	2,650,900	2,741,900
CHARITABLE AND OTHER CONTRACTURAL ALLOWANCES	484,800	508,600	529,200	547,800	567,400
TOTAL REVENUES, GAINS AND OTHER SUPPORT	32,299,500	35,064,600	35,771,700	36,896,200	38,078,400
OPERATING EXPENSES:					
NURSING CARE	4,027,100	4,188,200	4,385,700	4,541,100	4,697,700
MEMORY CARE	2,328,450	2,421,600	2,518,500	2,619,200	2,724,000
DIETARY	2,143,800	2,229,600	2,341,300	2,410,000	2,476,400
HOUSEKEEPING	446,400	464,300	497,900	517,800	538,500
LAUNDRY	173,400	180,300	187,500	195,000	202,800
PHARMACY	80,500	83,700	87,000	90,500	94,100
THERAPIES	847,000	978,500	1,111,300	1,198,100	1,238,800
SOCIAL SERVICES	155,400	161,600	168,100	174,800	181,800
ACTIVITIES	176,000	183,000	190,300	197,900	205,800
NURSING ADM./MEDICAL REC.	771,400	802,300	834,400	867,800	902,500
MAINTENANCE	3,456,200	3,631,900	3,792,200	3,928,900	4,061,100
GROUNDS	763,800	804,400	840,600	869,200	899,000
SECURITY	380,300	400,500	418,500	435,200	452,600
ADMINISTRATION AND GENERAL	2,966,850	3,090,500	3,216,100	3,329,700	3,442,900
PASTORAL SERVICES	142,800	148,500	154,400	160,600	167,000
ASSISTED LIVING	1,019,400	1,060,200	1,102,600	1,146,700	1,192,600
TERRACE CAFE	408,600	424,900	441,900	459,600	478,000
INDEPENDENT LIVING	1,748,100	1,838,000	1,919,500	1,991,300	2,066,000
SALES AND MARKETING	361,900	381,400	398,700	414,600	431,200
DEVELOPMENT AND OUTREACH	258,100	268,400	279,100	290,300	301,900
HOME CARE AND ADULT DAY CARE	886,400	945,500	967,300	992,300	1,010,100
BEAUTY AND BARBER	65,200	67,800	70,500	73,300	76,200
INTEREST EXPENSE	1,042,800	1,825,000	2,506,400	2,513,100	2,462,900
AMORTIZATION	38,800	38,800	38,800	38,800	38,800
DEPRECIATION	6,956,900	6,439,600	5,596,100	5,626,700	5,582,400
TOTAL OPERATING EXPENSES	31,645,600	33,058,500	34,064,700	35,082,500	35,925,100
OPERATING INCOME	653,900	2,006,100	1,707,000	1,813,700	2,153,300
CHANGES IN NET ASSETS PERPETUAL IN NATURE:					
NET UNREALIZED GAIN ON INVESTMENTS	82,900	85,400	87,900	90,600	93,300
TOTAL INCREASE IN NET ASSETS	736,800	2,091,500	1,794,900	1,904,300	2,246,600
NET ASSETS - BEGINNING OF YEAR	49,319,900	50,056,700	52,148,200	53,943,100	55,847,400
NET ASSETS - END OF YEAR	\$ 50,056,700	\$ 52,148,200	\$ 53,943,100	\$ 55,847,400	\$ 58,094,000

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

## LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA

## FORECASTED STATEMENTS OF CASH FLOWS

For The Years Ending September 30, 2020 Through 2024

	2020	2021	2022	2023	2024
CASH FLOWS FROM OPERATING ACTIVITIES:					
CASH RECEIVED FROM RESIDENTS AND THIRD PARTY PAYORS	26,960,100	29,437,900	30,651,800	31,731,900	32,868,000
INVESTMENT INCOME RECEIVED	507,600	894,500	354,600	385,400	417,000
CONTRIBUTIONS RECEIVED	175,000	182,000	189,300	196,900	204,800
CASH PAID TO SUPPLIERS AND EMPLOYEES	(23,519,050)	(24,609,300)	(25,773,500)	(26,767,400)	(27,705,600)
INTEREST PAID & AMORTIZATION OF BOND PREMIUM	(1,042,800)	(2,037,000)	(2,718,400)	(2,725,100)	(2,674,900)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,080,850	3,868,100	2,703,800	2,821,700	3,109,300
CASH FLOWS FROM INVESTING ACTIVITIES:					
PURCHASE OF INVESTMENTS	(579,500)	(990,300)	(692,300)	(688,300)	(870,300)
ACQUISITION OF PROPERTY AND EQUIPMENT	(6,136,800)	(68,530,400)	(2,600,000)	(2,600,000)	(2,600,000)
NET CASH USED BY INVESTING ACTIVITIES	(6,716,300)	(69,520,700)	(3,292,300)	(3,288,300)	(3,470,300)
CASH FLOWS FROM FINANCING ACTIVITIES:					
ADMISSION FEES RECEIVED	12,804,000	5,996,000	5,000,000	5,000,000	5,000,000
ADMISSION FEES REFUNDED	(1,200,000)	(800,000)	(800,000)	(800,000)	(800,000)
INTERFUND TRANSFERS	6,361,200	-	-	-	-
BOND ISSUANCE COST	(1,008,000)	-	-	-	-
PROCEEDS OF LONG-TERM DEBT	42,860,000	6,232,900	-	-	-
PAYMENTS OF LONG-TERM DEBT	(855,000)	(875,000)	(1,335,000)	(1,385,000)	(1,435,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	58,962,200	10,553,900	2,865,000	2,815,000	2,765,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	55,326,750	(55,098,700)	2,276,500	2,348,400	2,404,000
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	15,655,500	70,982,250	15,883,550	18,160,050	20,508,450
CASH AND CASH EQUIVALENTS - END OF YEAR	70,982,250	15,883,550	18,160,050	20,508,450	22,912,450
RECONCILIATION OF CHANGE IN NET ASSETS					
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
INCREASE (DECREASE) IN NET ASSETS	736,800	2,091,500	1,794,900	1,904,300	2,246,600
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS					
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
AMORTIZATION OF ADMISSION FEES	(4,155,300)	(4,458,300)	(4,501,800)	(4,507,900)	(4,509,500)
DEPRECIATION AND AMORTIZATION	6,995,700	6,266,400	5,422,900	5,453,500	5,409,200
NET INCREASE IN RECEIVABLES, INVENTORY AND PREPAID EXPENSES	(508,450)	(99,300)	(82,100)	(82,500)	(88,100)
NET INCREASE IN PAYABLES AND ACCRUED EXPENSES	101,300	159,700	164,500	151,800	151,500
NET UNREALIZED GAIN ON INVESTMENTS	(89,200)	(91,900)	(94,600)	(97,500)	(100,400)
CASH PROVIDED BY OPERATING ACTIVITIES	3,080,850	3,868,100	2,703,800	2,821,700	3,109,300

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

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

September 30, 2020 Through September 30, 2024

**I. Introduction**

This financial forecast presents, to the best of management's knowledge and belief, Lutheran Retirement Ministries of Alamance County, North Carolina's expected financial position, results of operations and cash flows for the forecast period. Accordingly, the forecast reflects its judgment as of February 25, 2020, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and these differences may be material. The financial forecast was prepared to provide Lutheran Retirement Ministries of Alamance County, North Carolina residents and prospective residents information about the expected financial results of the organization. Management does not expect to update the financial forecast after issuance. However, management expects to prepare a new forecast annually to provide to residents and prospective residents, and since events and circumstances frequently do not occur as anticipated, subsequent forecasts may vary materially from those currently provided.

**II. Summary of Significant Accounting Policies**

**A. Basis of Presentation:**

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

**B. Cash and Cash Equivalents:**

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

**C. Allowance for Doubtful Accounts:**

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

**D. Inventory:**

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

**E. Investment:**

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

**F. Property and Equipment:**

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

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

**G. Loan Costs:**

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

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

September 30, 2020 Through September 30, 2024

**II. Summary of Significant Accounting Policies (continued)**

**H. Admission Fees:**

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

**I. Tax Status:**

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

**III. Operating Fund**

**A. Accounts Receivable:**

Accounts receivable are forecast as follows:

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Resident services	\$ 1,596,500	\$ 1,676,600	\$ 1,736,800	\$ 1,795,700	\$ 1,859,000
Other	<u>175,000</u>	<u>185,500</u>	<u>196,600</u>	<u>208,400</u>	<u>220,900</u>
	1,771,500	1,862,100	1,933,400	2,004,100	2,079,900
Less: Allowance for doubtful accounts	<u>( 119,700)</u>	<u>( 125,700)</u>	<u>( 130,300)</u>	<u>( 134,700)</u>	<u>( 139,400)</u>
	<u>\$ 1,651,800</u>	<u>\$ 1,736,400</u>	<u>\$ 1,803,100</u>	<u>\$ 1,869,400</u>	<u>\$ 1,940,500</u>

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

**B. Inventory:**

Inventory is forecast to increase by 5% annually.

**C. Assets Whose Use is Limited by Sullivan Trust:**

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

**D. Assets Whose Use is Limited for Operating Reserve:**

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

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**  
September 30, 2020 Through September 30, 2024

**III. Operating Fund (continued)**

**E. Property and Equipment:**

Property and equipment are forecast as follows:

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Land	\$ 8,694,800	\$ 8,694,800	\$ 8,694,800	\$ 8,694,800	\$ 8,694,800
Land improvements	15,654,500	15,654,500	15,654,500	15,654,500	15,654,500
Buildings	131,744,400	200,174,800	202,674,800	205,174,800	207,674,800
Paving	1,131,800	1,131,800	1,131,800	1,131,800	1,131,800
Furniture and equipment	<u>10,982,300</u>	<u>11,082,300</u>	<u>11,182,300</u>	<u>11,282,300</u>	<u>11,382,300</u>
Total	168,207,800	236,738,200	239,338,200	241,938,200	244,538,200
Less:					
Accumulated depreciation	<u>80,375,300</u>	<u>86,814,900</u>	<u>92,411,000</u>	<u>98,037,700</u>	<u>103,620,100</u>
Net property and equipment	<u>\$ 87,832,500</u>	<u>\$ 149,923,300</u>	<u>\$ 146,927,200</u>	<u>\$ 143,900,500</u>	<u>\$ 140,918,100</u>

Major property and equipment additions are forecast to include:

<u>Year Completed</u>	<u>Description</u>	<u>Forecast Construction Cost</u>
2020	Renovations and Capital Replacement	2,200,000
2020	Site Development	300,000
2020	Harris Park	1,214,600
2021	Renovations and Capital Replacement	2,200,000
2021	Site Development	300,000
2021	Fitness/Boland Center Renovation	5,900,000
2021	Skilled Nursing Facility Replacement	54,500,000
2021	Demolition (old Skilled Nursing Facility)	500,000
2021	Garden Homes ( 28 units )	14,242,300
2021	Garden Homes Site Work	2,057,700
2022	Renovations and Capital Replacement	2,200,000
2022	Site Development	300,000
2023	Renovations and Capital Replacement	2,200,000
2023	Site Development	300,000
2024	Renovations and Capital Replacement	2,200,000
2024	Site Development	<u>1,171,300</u>
		<u>\$91,785,900</u>

**F. Accounts Payable and Accrued Expenses:**

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

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**  
September 30, 2020 Through September 30, 2024

**III. Operating Fund (continued)**

**G. Long Term Debt:**

The Ministries, through the North Carolina Medical Care Commission, issued \$35,125,000 of Health Care Facilities Revenue Refunding Bonds Series 2009 and 2010 to refund the outstanding balance of their Bonds Series 2007. The 2009 and 2010 bonds have principal due in annual installments from 2019 to 2037. These bonds are issued in a bank qualified private placement structure whereby the financial institution has contracted to purchase and hold the bonds until January 1, 2023. Interest on the 2009 and 2010 bonds is payable monthly at a variable rate of 68% of one-month LIBOR, plus a credit spread of 1.2125%. The interest rate is managed through the existing swap agreement. These obligations are collateralized through a Master Trust Indenture by substantially all revenues, property and equipment of the Ministries with the exclusion of approximately 45 acres. There are various restrictive covenants on the issuance of additional debt, sale of property, maintenance of a long-term debt service coverage ratio, maintenance of a ratio of available reserves, maintenance of a minimum days cash on hand and maintenance of a minimum amount of net assets. On October 9, 2019, the organization, through the North Carolina Medical Care Commission, issued \$42,860,000 of series 2019A bonds and \$23,025,000 of series 2019B bonds to fund the construction of a new health care facility and refinance prior bond obligations.

**H. Reserve on Derivative Contracts:**

The Ministries has interest rate swap agreements in order to minimize its exposure to the impact of interest rate changes on its long-term debt. This enables the Ministries to maintain fixed rate debt on a significant portion of its overall long-term debt. When the prevailing variable rate differs from the fixed rate covered by the swap agreements, an asset or liability exists. The asset or liability represents the true benefit or cost the Ministries would receive or accrue if the swap agreements were terminated. The Ministries anticipates holding the interest rate swap agreements until the notional amount of debt is retired. This liability has been recorded in the five year forecast based on the value at September 30, 2019 and has not been adjusted for the periods ended September 30, 2020 through September 30, 2024.

**I. Deferred Revenue From Admission Fees:**

Deferred revenue from admission fees has been forecast as follows:

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Balance - Beginning of Year	\$ 52,387,000	\$ 59,835,700	\$ 60,573,400	\$ 60,271,600	\$ 59,963,700
New Unit Contracts:					
Garden Homes (non-refundable)	4,152,000	498,000	-	-	-
Garden Homes (refundable)	4,152,000	498,000	-	-	-
Turnover Contracts:					
Apartments and Villas	3,500,000	3,800,000	3,800,000	3,800,000	3,800,000
Garden Homes (non-refundable)	500,000	600,000	600,000	600,000	600,000
Garden Homes (refundable)	500,000	600,000	600,000	600,000	600,000
Amortization of existing contract fees	( 3,319,000)	( 3,094,000)	( 2,876,000)	( 2,665,000)	( 2,459,000)
Amortization of new contract fees					
East Campus	( 236,300)	( 484,000)	( 772,300)	( 951,000)	( 1,170,300)
West Campus (non-refundable)	-	( 280,300)	( 303,500)	( 291,900)	( 280,200)
Amortization turnover	( 600,000)	( 600,000)	( 600,000)	( 600,000)	( 600,000)
Refunds	<u>( 1,200,000)</u>	<u>( 800,000)</u>	<u>( 800,000)</u>	<u>( 800,000)</u>	<u>( 800,000)</u>
Balance - End of Year	<u>\$ 59,835,700</u>	<u>\$ 60,573,400</u>	<u>\$ 60,271,600</u>	<u>\$ 59,963,700</u>	<u>\$ 59,654,200</u>
Income for the Year	<u>\$ 4,155,300</u>	<u>\$ 4,458,300</u>	<u>\$ 4,501,800</u>	<u>\$ 4,507,900</u>	<u>\$ 4,509,500</u>
Refundable Admission Fees	\$ 20,718,500	\$ 21,216,500	\$ 21,216,500	\$ 21,216,500	\$ 21,216,500
Deferred Revenue - Refundable	7,044,900	6,692,700	6,023,400	5,119,900	4,095,900
Deferred Revenue - Non-Refundable	<u>32,072,300</u>	<u>32,664,200</u>	<u>33,031,700</u>	<u>33,627,300</u>	<u>34,341,800</u>
Total Deferred Revenue - End of Year	<u>\$ 59,835,700</u>	<u>\$ 60,573,400</u>	<u>\$ 60,271,600</u>	<u>\$ 59,963,700</u>	<u>\$ 59,654,200</u>



**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**  
September 30, 2020 Through September 30, 2024

**III. Operating Fund (continued)**

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

<u>Year</u>	<u>Description</u>	<u>Average Admission Fee Per Unit</u>
2021	Garden Homes (28 units)	370,256

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

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

**J. Resident Service Revenues:**

Resident service revenues have been forecast based on 91% average occupancy for nursing, 97% for memory care, 91% for assisted living and 92% for independent living. All rates have been forecast to increase by 3.5% per year and include the forecasted addition of new units. The forecast reflects a discount from these published rates for independent living residents who signed residency contracts prior to September 30, 2003. Forecast rates are as follows:

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Health Care (Daily Rates)					
Private	\$ 295	\$ 305	\$ 316	\$ 327	\$ 338
Semi-private	285	295	305	316	327
Home for aged	285	295	305	316	327
Memory care (Daily Rates)					
Skilled - Private	312	323	334	346	358
Skilled - Semi-private	302	313	324	335	347
Assisted - Private	302	313	324	335	347
Assisted - Semi-private	292	302	313	324	335
Assisted living units (Monthly Rates)					
Small	5,120	5,299	5,484	5,676	5,875
Large	5,447	5,638	5,835	6,039	6,250
2 <sup>nd</sup> person	2,378	2,461	2,547	2,636	2,728
Independent living - residents prior to 10/1/03 (Monthly Rates)					
One bedroom apartment	1,514	1,567	1,622	1,679	1,738
Two bedroom apartment	1,775	1,837	1,901	1,968	2,037
Villa A	1,775	1,837	1,901	1,968	2,037
Villa B	1,936	2,004	2,074	2,147	2,222
Villa C	1,775	1,837	1,901	1,968	2,037
Villa D	1,936	2,004	2,074	2,147	2,222
2 <sup>nd</sup> person	561	581	601	622	644
Independent living - residents subsequent to 10/1/03 (Monthly Rates)					
One bedroom apartment	1,590	1,646	1,704	1,764	1,826
Two bedroom apartment	1,798	1,861	1,926	1,993	2,063
Wittenberg					
Small	1,994	2,064	2,136	2,211	2,288
Large	2,081	2,154	2,229	2,307	2,388
Villa A	2,258	2,337	2,419	2,504	2,592
Villa B	2,347	2,429	2,514	2,602	2,693
Villa C	2,258	2,337	2,419	2,504	2,592
Villa D	2,347	2,429	2,514	2,602	2,693
2 <sup>nd</sup> person	640	662	685	709	734
Garden Home - E & F	2,684	2,778	2,875	2,976	3,080
Garden Home - G & H	2,856	2,956	3,059	3,166	3,277
Garden Home - I	3,023	3,129	3,239	3,352	3,469
Garden Home - J	2,512	2,600	2,691	2,785	2,882
2 <sup>nd</sup> person - Garden Home	640	662	685	709	734

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**  
 September 30, 2020 Through September 30, 2024

**III. Operating Fund (continued)**

**K. Other Operating Revenues:**

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

**L. Operating Expenses:**

The 2020 operating expenses were taken from the 2019-2020 adopted budget.

Operating expenses have been forecast to increase as follows in the following departments for 2020 through 2024.

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

**IV. Endowment Fund**

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

Endowment Fund investment earnings are forecast at 3% per annum. Investment earnings less investment expenses are forecast to be transferred to the Operating Fund annually.

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

**d/b/a**

**TWIN LAKES COMMUNITY**

**DISCLOSURE STATEMENT**

**ATTACHMENT 3**

**2018-2019 FORECASTED VS. ACTUAL**

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

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NC  
FORECASTED VS ACTUAL BALANCE SHEET  
SEPTEMBER 30, 2019**

	2019 Forecast	2019 Actual	Favorable/(Unfavorable)		NOTES
			\$ Variance	% Variance	
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
CASH AND CASH EQUIVALENTS	72,735,000	14,429,911	(58,305,089)	-80.16%	(1)
INVESTMENTS	6,511,600	6,806,182	294,582	4.52%	
ACCOUNTS RECEIVABLE (NET)	1,549,500	1,157,340	(392,160)	-25.31%	
INVENTORY	218,200	265,088	46,888	21.49%	
PREPAID EXPENSES	17,300	14,700	(2,600)	N/A	
<b>TOTAL CURRENT ASSETS</b>	<b>81,031,600</b>	<b>22,673,221</b>	<b>(58,358,379)</b>	<b>-72.02%</b>	
<b>ASSETS WHOSE USE IS LIMITED :</b>					
CASH - RESTRICTED DONATIONS	1,069,400	1,225,610	156,210	14.61%	
INVESTMENTS - OPERATING RESERVE	7,044,200	6,756,230	(287,970)	-4.09%	
LONG-TERM INVESTMENTS - ENDOWMENT	2,750,000	2,631,747	(118,253)	-4.30%	
<b>TOTAL ASSETS WHOSE USE IS LIMITED</b>	<b>10,863,600</b>	<b>10,613,587</b>	<b>(250,013)</b>	<b>-2.30%</b>	
<b>OTHER ASSETS :</b>					
LONG-TERM INVESTMENTS	392,600	388,760	(3,840)	-0.98%	
PROPERTY AND EQUIPMENT, NET	84,031,200	91,127,340	7,096,140	8.44%	(2)
DEFERRED BOND COSTS, NET	88,900	-	(88,900)	-100.00%	
<b>TOTAL OTHER ASSETS</b>	<b>84,512,700</b>	<b>91,516,100</b>	<b>7,003,400</b>	<b>8.29%</b>	
<b>TOTAL ASSETS</b>	<b>176,407,900</b>	<b>124,802,908</b>	<b>(51,604,992)</b>	<b>-29.25%</b>	
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES:</b>					
CURRENT MATURITIES OF LONG-TERM DEBT	935,000	620,130	(314,870)	-33.68%	
ACCOUNTS PAYABLE	878,800	782,197	(96,603)	-10.99%	
CONSTRUCTION CONTRACTS PAYABLE	-	2,474,755	2,474,755	N/A	(2)
ACCRUED EXPENSES	2,216,000	2,367,888	151,888	6.85%	
DEFERRED REVENUE	-	3,318,594	3,318,594	N/A	(4)
DEPOSITS ON UNOCCUPIED UNITS	50,000	1,157,133	1,107,133	2214.27%	(3)
RESERVE ON DERIVATIVE CONTRACT	-	248,033	248,033	N/A	
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,079,800</b>	<b>10,968,730</b>	<b>6,888,930</b>	<b>168.85%</b>	
LONG-TERM DEBT, EXCLUDING CURRENT MATURITIES	71,265,100	15,986,805	(55,278,295)	-77.57%	(1)
DEFERRED REVENUE FROM ADMISSION FEES - REFUNDABLE	6,814,900	6,709,417	(105,483)	-1.55%	
DEFERRED REVENUE FROM ADMISSION FEES - NON-REFUNDABLE	27,376,800	24,635,411	(2,741,389)	-10.01%	(4)
DEFERRED REVENUE FROM OCCUPANCY FEES	101,500	-	(101,500)	-100.00%	
REFUNDABLE ADMISSION FEES	17,621,300	16,566,510	(1,054,790)	-5.99%	(5)
RESERVE ON DERIVATIVE CONTRACT	600,100	616,132	16,032	2.67%	
<b>TOTAL LIABILITIES</b>	<b>127,859,500</b>	<b>75,483,005</b>	<b>(52,376,495)</b>	<b>-40.96%</b>	
<b>NET ASSETS:</b>					
<b>UNRESTRICTED (DESIGNATED BY BOARD):</b>					
SELF-INSURANCE	486,300	784,518	298,218	61.32%	
ENDOWMENT	215,400	209,122	(6,278)	-2.91%	
CAPITAL RESERVE	3,457,000	3,743,158	286,158	8.28%	
MEMORIAL GARDEN	4,154,300	3,816,868	(337,432)	-8.12%	
DEBT SERVICE	-	39,125	39,125	N/A	
OPERATING RESERVE	7,044,200	6,756,230	(287,970)	-4.09%	
UNDESIGNATED	29,371,800	30,278,119	906,319	3.09%	(6)
<b>TOTAL UNRESTRICTED NET ASSETS</b>	<b>44,729,000</b>	<b>45,627,140</b>	<b>898,140</b>	<b>2.01%</b>	(6)
TEMPORARILY RESTRICTED - DONATIONS	1,069,400	929,947	(139,453)	-13.04%	
PERMANENTLY RESTRICTED - ENDOWMENT	2,750,000	2,762,816	12,816	0.47%	
<b>TOTAL NET ASSETS</b>	<b>48,548,400</b>	<b>49,319,903</b>	<b>771,503</b>	<b>1.59%</b>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>176,407,900</b>	<b>124,802,908</b>	<b>(51,604,992)</b>	<b>-29.25%</b>	

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

**NOTES ON MATERIAL DIFFERENCES:**

- (1) CASH AND INVESTMENTS ARE LOWER THAN FORECAST DUE THE BOND CLOSING HAPPENED ON 10-9-19 INSTEAD OF ON/BEFORE YEAR-END.
- (2) PROPERTY, PLANT & EQUIPMENT INCREASED AS COMPARED TO FORECAST TIMING OF THE COMPLETION OF THE MAJOR CONSTRUCTION PROJECTS ON CAMPUS LIKE SERVICES COMPLEX, PHASE 8 HOMES, SKILLED NURSING PROJECT AS WELL AS TURNOVER RENOVATIONS
- (3) INCREASE IN DEPOSITS ON UNOCCUPIED UNITS VS FORECAST IS MAINLY DUE TO THE TIMING OF THE DEPOSITS WE RECEIVED FOR THE NEW PHASE 8 GARDEN HOMES
- (4) DEFERRED REVENUE FROM ADMISSION FEES - NON-REFUNDABLE IS HIGHER THAN FORECAST DUE TO HIGHER THAN ANTICIPATED ADMISSION FEE RECEIPTS.
- (5) DEFERRED REVENUE FROM ADMISSION FEES - REFUNDABLE LOWER THAN FORECAST DUE SELLING ALL 28 NEW GARDEN HOMES IN 2018 AND PORTION OF 2019 NEW GARDEN HOMES TO SALE IN CURRENT YEAR AS WELL AS NOT AS MANY GARDEN HOMES TURNING OVER IN CURRENT YEAR.
- (6) UNDESIGNATED NET ASSETS ARE HIGHER THAN FORECAST DUE TO HIGHER THAN FORECAST OPERATING INCOME.

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NC  
 FORECASTED VS ACTUAL STATEMENT OF OPERATIONS  
 FOR THE YEAR ENDING SEPTEMBER 30, 2019**

	2019 Forecast	2019 Actual	Favorable/(Unfavorable)		NOTES
			\$ Variance	% Variance	
REVENUES:					
RESIDENT SERVICE REVENUES (NET)	28,462,800	29,270,902	808,102	2.84%	(1)
ADMISSION FEES EARNED	3,993,000	4,419,071	426,071	10.67%	(2)
OTHER OPERATING REVENUES	(2,063,400)	(2,481,699)	(418,299)	20.27%	(3)
<b>TOTAL REVENUES</b>	<b>30,392,400</b>	<b>31,208,274</b>	<b>815,874</b>	<b>2.68%</b>	
EXPENSES:					
OPERATING EXPENSES	23,377,300	22,625,368	751,932	-3.22%	(4)
DEPRECIATION AND AMORTIZATION	5,312,800	6,575,588	(1,262,788)	23.77%	(5)
INTEREST	1,147,200	777,538	369,662	-32.22%	(6)
<b>TOTAL EXPENSES</b>	<b>29,837,300</b>	<b>29,978,494</b>	<b>(141,194)</b>	<b>0.47%</b>	
INCOME FROM OPERATIONS	555,100	1,229,780	674,680	121.54%	
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	80,100	135,147	55,047	68.72%	
CHANGE IN VALUE INVESTMENTS - WITHOUT DONOR RESTRICTIONS	0	306,028	306,028	N/A	
CHANGE IN VALUE OF INTEREST RATE SWAP AGREEMENT	0	(264,063)	(264,063)	N/A	
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>635,200</b>	<b>1,406,892</b>	<b>771,692</b>	<b>121.49%</b>	

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

**NOTES ON MATERIAL DIFFERENCES:**

- (1) RESIDENT SERVICE REVENUES WERE HIGHER THAN FORECAST DUE TO SLIGHTLY HIGHER THAN FORECAST CENSUS FOR OVERALL CAMPUS.
- (2) ADMISSION FEES EARNED INCREASED VS FORECAST DUE LARGER NUMBER OF RESIDENTS PASSING AWAY DURING THE CURRENT YEAR.
- (3) INCREASE IN OTHER OPERATING REVENUES IS MAINLY DUE TO THE LOSS ON DISPOSAL OF FIXED ASSETS OF TAKING THE CANTERBURY APARTMENT BUILDING OFFLINE IN 2019.
- (4) DECREASE IN THE OPERATING EXPENSES VS FORECAST IS MAINLY DUE LOWER ACTUAL SPENDING IN EQUIPMENT PURCHASES FOR THE YEAR.
- (5) INCREASE IN DEPRECIATION AND AMORTIZATION VS FORECAST IS DUE TO THE INCREASED DEPRECIATION FOR COBLE CREEK AS WE WILL BE TAKING IT OFFLINE IN EARLY 2021 AS THE NEW SKILLED NURSING BUILDING WILL BE COMING ON-LINE AROUND THE SAME TIME.
- (6) DECREASE IN INTEREST EXPENSE VS FORECAST IS MAINLY DUE TO THE OVERALL DECREASE IN INTEREST RATES IN THE CURRENT YEAR.

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NC  
FORECASTED VS ACTUAL STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDING SEPTEMBER 30, 2019**

	2019 Forecast	2019 Actual	Favorable/(Unfavorable)		NOTES
			\$ Variance	% Variance	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
CASH RECEIVED FROM RESIDENTS AND THIRD PARTY PAYORS	25,606,800	33,139,067	7,532,267	29.42%	(1)
INVESTMENT INCOME RECEIVED	307,800	521,990	214,190	69.59%	
CONTRIBUTIONS RECEIVED	165,000	115,023	(49,977)	-30.29%	
CASH PAID TO SUPPLIERS AND EMPLOYEES	(23,122,150)	(21,862,622)	1,259,528	-5.45%	(2)
INTEREST PAID	(1,147,200)	(801,362)	345,838	-30.15%	
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,810,250</b>	<b>11,112,096</b>	<b>9,301,846</b>	<b>513.84%</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
ACQUISITION OF PROPERTY AND EQUIPMENT	(6,215,100)	(12,598,827)	(6,383,727)	102.71%	(3)
PROCEEDS FROM SALE OF PROPERTY AND EQUIPMENT	-	26,392	26,392	N/A	
PROCEEDS FROM SALE OF INVESTMENTS	-	7,662,330	7,662,330	N/A	(4)
PURCHASE OF INVESTMENTS	(782,600)	(7,987,761)	(7,205,161)	920.67%	(4)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(6,997,700)</b>	<b>(12,897,866)</b>	<b>(5,900,166)</b>	<b>84.32%</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
ADMISSION FEES RECEIVED	7,300,000	1,189,460	(6,110,540)	-83.71%	(1)
ADMISSION FEES REFUNDED	(600,000)	(594,225)	5,775	-0.96%	
MEMORIAL GARDEN FEES RECEIVED	-	1,750	1,750	N/A	
ENDOWMENT DONATIONS	-	52,331	52,331	N/A	
PROCEEDS OF LONG TERM DEBT	55,499,950	-	(55,499,950)	-100.00%	(5)
PRINCIPAL PAYMENTS OF LONG-TERM DEBT	(2,355,000)	(2,355,000)	-	0.00%	
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>59,844,950</b>	<b>(1,705,684)</b>	<b>(61,550,634)</b>	<b>-102.85%</b>	
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>54,657,500</b>	<b>(3,491,454)</b>	<b>(58,148,954)</b>	<b>-106.39%</b>	
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>19,146,900</b>	<b>19,146,975</b>	<b>75</b>	<b>0.00%</b>	
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>73,804,400</b>	<b>15,655,521</b>	<b>(58,148,879)</b>	<b>-78.79%</b>	
<b>RECONCILIATION OF CHANGE IN NET ASSETS - TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>					
INCREASE (DECREASE) IN NET ASSETS	635,200	1,406,892	771,692	121.49%	
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
ENDOWMENT DONATIONS	-	(52,331)	(52,331)	N/A	
CHANGE IN VALUE OF DERIVATIVE CONTRACT	-	264,063	264,063	N/A	
(GAIN)/LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT	-	457,096	457,096	N/A	
AMORTIZATION OF DEFERRED REVENUES FROM ADMISSION FEES	(3,993,000)	(4,419,071)	(426,071)	10.67%	
RECEIPT OF NON-REFUNDABLE ADMISSION FEES	-	7,023,875	7,023,875	N/A	(1)
REFUNDS ON NON-REFUNDABLE CONTRACTS	-	(93,268)	(93,268)	N/A	
DEPRECIATION AND AMORTIZATION	5,312,800	6,587,413	1,274,613	23.99%	
AMORTIZATION OF OCCUPANCY FEES	-	-	-	N/A	
INVENTORY AND PREPAID EXPENSES	(302,850)	44,936	347,786	-114.84%	
NET INCREASE/(DECREASE) IN PAYABLES AND ACCRUED EXPENSES	265,500	320,681	55,181	20.78%	
NET UNREALIZED (GAIN)/LOSS ON INVESTMENTS	(21,000)	(299,970)	(278,970)	1328.43%	
NET REALIZED (GAIN)/LOSS ON INVESTMENTS	(86,400)	(128,220)	(41,820)	48.40%	
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,810,250</b>	<b>11,112,096</b>	<b>9,301,846</b>	<b>513.84%</b>	

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

**NOTES ON MATERIAL DIFFERENCES:**

- (1) FOR AUDIT PRESENTATION PURPOSES THE NET RECEIPT OF \$6,930,607 OF NON-REFUNDABLE ADMISSION FEES HAS BEEN SHOWN AS AN OPERATING ACTIVITY INSTEAD OF A FINANCING ACTIVITY AS IN THE FORECAST. OVERALL NET ADMISSION FEE RECEIPTS WERE HIGHER THAN FORECAST BY \$825,842 DUE TO HIGHER ADMISSION FEE RECEIPTS AS COMPARED TO FORECAST.
- (2) DECREASE IN CASH PAID TO SUPPLIERS AND EMPLOYEES VS FORECAST IS MAINLY DUE TO LOWER AMOUNTS PAID TO SUPPLIERS VS THE FORECAST.
- (3) INCREASE IN ACQUISITION OF PROPERTY AND EQUIPMENT IS HIGER VS FORECAST DUE THE TIMING OF MAJOR CONSTRUCTION PROJECTS ON CAMPUS LIKE THE SERVICES COMPLEX, NEW SKILLED NURSING BUILDING AND ALSO OVERALL INCREASE TURNOVER RENOVATIONS IN CURRENT YEAR.
- (4) OVERALL NET INCREASE IN PURCHASE AND SALE OF INVESTMENTS VERSUS OUR FORECAST IS BELOW THE \$500,000. THE MAIN DIFFERENCE IS THAT IN THE CURRENT YEAR THE PURCHASES AND SALES ARE BROKEN OUT SEPERATELY AND THE FORECAST IS A NET AMOUNT.
- (5) INCREASE IN PROCEEDS OF LONG-TERM DEBT VS FORECAST IS DUE TO THE FACT WE ACTUALLY COMPLETED THE FINANCING ON 10-9-19 AND WE HAD IT FORECASTED TO BE DONE BEFORE 9-30-19.

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

**d/b/a**

**TWIN LAKES COMMUNITY**

**DISCLOSURE STATEMENT**

**ATTACHMENT 4**

**RESIDENCY CONTRACTS**



**Twin Lakes**  
**COMMUNITY**  
**RESIDENCY CONTRACT FOR LIVING UNIT**

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

**BACKGROUND**

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

**AGREEMENT**

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

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



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

2. ADMISSION FEE.

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

3. CANCELLATION, TERMINATION AND RESCISSION PRIOR TO OCCUPANCY

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

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

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

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

- b. Cancellation Due to Injury, Death or Incapacity. If prior to the Initial Occupancy Date you die or become unable to live independently because of illness, injury or incapacity, this Contract is automatically canceled and you or your legal representative shall receive a refund of all amounts you have paid to us subject to the provisions of paragraph d of this Section.
- c. Termination by Retirement Community. We may terminate this Contract at any time before the Initial Occupancy Date if we determine, in our sole discretion, that one of the following events has occurred: a) you made a material misrepresentation or omission in your admission application; b) you experienced a change in your health or financial condition such that you no longer satisfy our

admissions criteria; or c) you fail to pay the Admission Fee in accordance with the Payment Schedule. If we terminate this Contract, we will refund all amounts you have paid to us, subject to the provisions of paragraph d of this Section.

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

#### 4. MONTHLY OCCUPANCY CHARGES.

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

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

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

5. OCCUPANCY OF LIVING UNIT.

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

Occupancy Charge for two occupants when your spouse moves into your Living Unit.

- ii. Marriage to a Person Not a CCRC Contract Holder. If you marry someone who is not a resident of the Retirement Community under a CCRC contract with us, your spouse may become a resident of your Living Unit if your spouse 1) meets all the current requirements for admission to the type of Living Unit you occupy; 2) signs this contract and any amendments we deem necessary; and 3) pays an additional Admission Fee, the amount to be determined by the retirement community. If your spouse does not meet our requirements for admission or chooses not to become a CCRC contract holder with us, you may request that your spouse be permitted to occupy your unit. If we approve your spouse's occupancy, you will pay a second person Occupancy Charge for your spouse, but your spouse will have no rights under this contract and no claim for care, services or residency from us.
  
- d. Relocation to Another Independent Living Unit. We will consider your request to move from one living unit to another within Independent Living, and we reserve the exclusive right to determine, in our discretion, whether to permit such a move. A move to another living unit does not cause any change to the accrual period used to determine the refund amount to which you may be entitled upon termination of this Contract. Such a move will not entitle you to any part of the accrual portion of your Admission Fee. You may be charged an additional Admission Fee equal to the difference between the then current Admission Fee for the new unit and the Admission Fee you paid for your Living Unit under this Contract. In addition, you may be charged an internal move fee pursuant to our internal move policy. You will be responsible for your cost of moving.

## 6. FACILITIES AND SERVICES PROVIDED BY RETIREMENT COMMUNITY.

- a. Physical Facilities. The Retirement Community consists of apartments, villas, and garden homes for Independent Living; apartments for Assisted Living; a Healthcare Facility; a Memory Care Facility; administrative and staff offices; recreational facilities; facilities for preparing and serving meals; and common activities facilities.
  
- b. Basic Services. The following basic services and expenses will be covered by your monthly Occupancy Charge:
  - i. Insurance. We carry fire and extended coverage insurance on our buildings and liability coverage for the Retirement Community. You are required to secure and are responsible for the cost of property and casualty and liability insurance for your personal belongings and other personal property located at the Retirement Community. We do not carry insurance on your personal property.
  
  - ii. Utilities. We furnish and pay for the cost of heat and electricity, air conditioning, cable television service, internet service, water and sewer services, and trash collection. You are responsible for the cost of installation of telephone service and the monthly charge for that service.
  
  - iii. Fixtures. We furnish your home with window blinds, an electric range, a built-in microwave, a refrigerator, and a garbage disposal. Washing

machines and clothes dryers are accessible to apartment units; washing machines, clothes dryers and dishwashers are standard in all other floor plans.

- iv. General Maintenance of Common Areas and Grounds. We maintain all common areas and grounds.
  - v. Parking Spaces. You and your guests are entitled to the nonexclusive use of the parking areas designated on the Retirement Community premises for resident and visitor parking.
  - vi. Recreational, Social and Religious Activities. We provide recreational, physical, social, spiritual, educational and cultural activities as we determine in our discretion.
  - vii. Emergency Nursing Assistance. Our nursing staff is on call twenty-four hours a day for emergencies.
  - viii. Maintenance of Living Unit and Fixtures. We maintain the structural portion of your home and the fixtures described in Section 6.b.iii above. This maintenance does not include housekeeping or maintenance of your personal property.
  - ix. Transportation. We provide regularly scheduled group transportation to selected medical facilities, shopping malls and grocery stores. The schedule and locations may be adjusted, modified, and changed at our discretion.
  - x. Annual Cleaning. Our housekeeping staff will perform an annual cleaning of your home at no additional charge to you. Advance notice will be given for annual cleaning dates.
  - xi. Grace Days. We will use good faith efforts to make available each calendar year up to three days per independent living resident of temporary care in one of our facilities without additional occupancy charge to you. These grace days do not renew in the event of a long-term move to healthcare. These grace days shall not be cumulative or transferable to another resident, whether such resident is a party to this or another Contract. Please note that fees for services (including, but not limited to, salon, therapy, transportation, and pharmacy) used during a stay in health care will not be waived.
- c. Optional Services. We may make certain services available to you to purchase at your option on a fee-for-service basis. Fees for such services will be payable either at the time the service is rendered or upon billing by us, as we deem appropriate. Such optional services may be expanded or reduced in our sole discretion. Optional services currently include:
- i. Meal Service. Meal service is available at the Pepper Tree Cafeteria on an à la carte basis. Meals are available at The Terrace Restaurant in the Boland Center as posted.
  - ii. Housekeeping. Housekeeping services are available at rates established by Retirement Community.

- iii. Transportation. Limited personal transportation service is available.
- iv. Home Care. Private duty personal services are available and are provided by certified nursing assistants.
- v. Rehabilitation. Speech Therapy, Occupational Therapy and Physical Therapy services are available in the Coble Healthcare Facility.
- vi. Salon Services. A salon is located in the Coble Healthcare Facility and is available for use by residents of the Retirement Community.

7. MAINTENANCE OF LIVING UNIT.

a. Your Responsibilities. You agree:

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

b. Our Responsibilities. We agree:

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

8. RESIDENT ACCESS TO OTHER RETIREMENT COMMUNITY FACILITIES.

- a. Priority. You will have priority access over residents who have not entered into a CCRC contract with us and over nonresidents to available Assisted Living apartments and available beds in our Coble Healthcare and Memory Care Facilities.
- b. Additional Charges. If you temporarily move to another level of care at the Retirement Community, you agree to pay the charges established by us for the

increased services and care available at that level of care, and to continue to pay the monthly Occupancy Charges for your Living Unit.

- c. Outside Care. We operate a home care agency for our residents so that you have a convenient source from which to hire additional personal care services to be provided in your home. You may not hire outside assistance with personal care in your home if we are able to meet your needs for such care. If we are not able to meet your needs and you choose to hire outside care through an agency other than ours, you agree to comply with the requirements of our policy on outside employees.

9. TERMINATION AFTER INITIAL OCCUPANCY DATE.

- a. Termination by You after Initial Occupancy Date. After the Initial Occupancy Date you have the right to terminate this Contract at any time for any reason, by giving us at least thirty (30) days' written notice. In addition, this Contract will automatically terminate thirty (30) days after your death or abandonment of your Living Unit.
- b. Termination by Retirement Community After Initial Occupancy Date. After the Initial Occupancy Date we may terminate this Contract upon thirty (30) days' written notice to you for any of the following reasons: i) we determine, after consulting with a physician we select, that you pose a threat to yourself or to the health, safety or welfare of our other Residents; ii) you require care that we do not or cannot provide; iii) our Board of Directors determines, in its sole discretion, that you are not compatible with our other residents or that you are disruptive of the Retirement Community's environment; iv) you fail to pay the monthly Occupancy Charge for your Living Unit or charges for other services and facilities provided by us to you; v) you fail to comply with your commitment, under the terms of this Contract, not to shelter assets or otherwise arrange your financial affairs in a manner that would enable you to become eligible for a program or programs of public assistance such as Medicaid without having first obtained the written consent of our Chief Executive Officer; or vi) you fail to comply with the terms of this Contract or with our published rules, regulations and policies as amended from time to time.
- c. Your Obligations upon Termination of this Contract. If this Contract terminates under this Section 9 of the Contract, you agree that, within thirty (30) days after written notice of termination, you will remove (or in the event of your death, your legal representative within thirty days of your death will so remove) all of your personal property from your Living Unit and you will vacate the Living Unit, leaving it in the same condition as on the Initial Occupancy Date, except for normal wear and tear.
- d. Our Right to Remove and Dispose of Your Personal Property. We may remove any personal property that you do not remove from your Living Unit by the end of the thirty-day notice period. We may, but are not obligated to, pack and store any items we choose, and you agree to pay the actual cost for such packing and storage. You also agree that we are not responsible for any damage that occurs to your personal property remaining in your Living Unit after you have vacated the Living Unit. If you do not pay the packing/storage fee and do not retrieve your personal property within three (3) months of your last day of occupancy, we may dispose of the personal property in any manner we deem appropriate, and we shall

not be liable to you or your heirs for such personal property or any proceeds from the sale of such personal property.

- e. Payment of Admission Fee Refund upon Termination of this Contract. If this Contract is terminated within two and one-half years (that is, within 912 days) after the Initial Occupancy Date, you shall be entitled to receive a refund of a portion of your admission fee. No part of the amount you paid us to make special changes or improvements to your Living Unit, as described on Exhibit 1.3 or in any amendment hereto, is refundable.

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

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

Amount of Refund in Dollars	=	[	(	$\frac{\text{Admission Fee X 96 \%}}{912}$	)	x	(	912 minus	Number of Days (Full or Partial) in your Accrual Period as calculated below	)	]
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Thus, the refund amount declines ratably over a 30-month period that begins on your initial occupancy date. The amount that declines ratably is equal to 96% of your admission fee.

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

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



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

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

- a. Mediation. You and we agree that if you or your representative has a claim or dispute against us, you or your representative shall notify us in writing of the dispute and shall provide a description and factual details of the nature of the claim or dispute. You and we
  - i. May submit evidence or information in writing to a mediator, to be designated by the mutual agreement of you and us, in support of the claim or dispute and of any defense either of us may have to the claim. If you and we cannot agree on the designation of a mediator, each party shall select a mediator, and those two mediators shall then select a third mediator who will mediate the dispute. This selection of a mediator shall be binding upon both of us;
  - ii. Have the right to a hearing before the mediator, at which you and we may present evidence in support of or in defense of any such claim or dispute to the extent allowed by the mediator. The mediator will set the time and date of the hearing and assist each of us in an unbiased manner in attempting to reach an amicable settlement of the claim or dispute;
  - iii. Agree that the mediation shall be scheduled at a time convenient for you and us and shall be held in Alamance County, North Carolina;
  - iv. Agree that, if either of us refuses to negotiate or mediate in a good faith attempt to resolve the matter of concern, the mediator shall be required to note that fact in the mediator's conclusion to the mediation attempt;
  - v. Agree that, in the event the parties are unable to reach an amicable settlement, we will then submit the dispute to a mandatory, binding arbitration consistent with the North Carolina Uniform Arbitration Act and the rules of the American Arbitration Association, as set forth below.

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

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

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

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

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

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

11. REPRESENTATIONS AND FURTHER AGREEMENTS BY YOU.

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

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

- c. Obligation to Update Health and Financial Information. You agree to provide such additional health and financial information as we may request during the term of this Contract. You agree to notify us if you learn that you have a communicable disease. Accordingly, you also agree to authorize the release of all medical

information to us at any time we request such information, and you have executed such an authorization coincident with the execution of this Contract. In addition, you agree to furnish a full and accurate financial statement of assets, liabilities, and income and shall authorize the release of all financial information of third parties to us at any time we may so request. You also authorize us to release such health and financial information to third parties (i) who provide financial assistance to you or (ii) to whom you have applied for assistance, including but not limited to, the Department of Social Services, the Social Security Administration, the Division of Medical Assistance, other organizations involved in the administration of Medicare and Medicaid, and health insurance companies. You also authorize us to communicate with such programs or companies and them with us concerning your application and eligibility. You have executed such an authorization coincident with the execution of this Contract.

- d. Medical Insurance. You agree to maintain Medicare Part A and Medicare Part B, or equivalent insurance coverage acceptable to us, with evidence of such coverage upon request.
- e. Emergency Transportation. In the case of an emergency, you authorize us to arrange for transportation by an emergency services provider that we choose in our discretion. You agree to pay the cost of the emergency services provider.
- f. Other Health Costs. You agree to pay the cost, if any, for services of consultants and other services and supplies not included in this Contract when expressly ordered by your physician or requested by you or your family. In the event of a health emergency, you agree to pay for additional charges in excess of the monthly Occupancy Charge for special services or supplies that we, in our discretion, deem reasonable or necessary.
- g. Reasonable Care. We agree to exercise such reasonable care toward you as your known condition may require. However, we are in no sense an insurer of your safety or welfare and assume no liability for such.
- h. Move to Another Level of Care. We may effect your move to another living unit in Independent Living or another level of care within the facilities of the Retirement Community. The decision to effect such a move will be in our sole discretion and will be binding on you; the decision will be made, however, only after consulting with you, and when we deem it appropriate, with your family, physician, or designee.
- i. Valuables. Neither we nor our employees are responsible for any valuables or money in your possession. We accept full responsibility for valuables and money turned over to us for safekeeping.
- j. Rules and Regulations. You agree to abide by all rules and regulations in effect from time to time and applicable to residents of the Retirement Community.
- k. Tobacco Free Campus. Twin Lakes Community is a tobacco-free campus. The use of tobacco products is strictly prohibited on our campus, including within private residences on our campus. You agree to adhere to, and to ensure that any guests of yours adhere to, our tobacco-free policy, and to any modifications to the policy.

- l. Pets. You agree that, without our prior written consent, you will not keep or maintain either temporarily or permanently any dogs, cats or other animals or pets, except for fish or small birds in appropriate containers.
- m. Non-Assignment. Your rights and privileges under this Contract are personal to you and cannot be transferred or assigned to any other person voluntarily or by execution of law. No person other than you may occupy your Living Unit except with our prior written approval.
- n. Additional Obligations. In addition to the other obligations under this Contract, you agree:
  - i. To absolve and release us and our employees of any responsibility for any event, accident or deterioration of medical condition while you are away from the premises of the Retirement Community and not under the direct care and supervision of our staff.
  - ii. To pay and indemnify us for all costs we incur, including reasonable attorney's fees, if you fail to pay any amount due us under the terms of the Contract, or if you breach any other terms of this Contract.
  - iii. If you are injured by a third party, you agree that we shall be subrogated to your rights to recover from such third party the costs and expenses incurred by reason of such injuries, and you authorize us to take all necessary steps to enforce the payment of such costs and expenses by the responsible third party.
  - iv. You agree to pay or reimburse us for any loss or damage we suffer as a result of the negligence or misconduct of you or your guest or invitee. We assume no responsibility for any injury or illness you suffer as a result of the negligence or intentional misconduct of any third party.
- o. Nature of Your Rights. Your rights under this Contract are the rights and privileges herein expressly granted and do not include any proprietary interest or membership in the Retirement Community.
- p. Obligations Divisible. If a portion of this Contract shall be determined to be illegal or unenforceable or not in conformity with applicable laws and regulations, the remainder of this Contract shall continue in full force and effect.
- q. Disclosure Statement. You hereby acknowledge that you have received a copy of our current disclosure statement. In the event of any discrepancy between the language contained in this Contract and the language contained in the disclosure statement, the language of this Contract shall control. You further acknowledge that, prior to the execution of this Contract, you have transferred to us no money or other property except for your deposit money.
- r. Successors and Assigns. This Contract shall be binding upon, inure to the benefit of, and be enforceable by, Lutheran Retirement Ministries of Alamance County, North Carolina d/b/a Twin Lakes Community, its successors and assigns.
- s. Transfer to Another Level of Care. If you transfer to another level of care at the Retirement Community, you agree to enter into an addendum agreement at that time specific to the new level of care. The Addendum will contain terms and

occupancy rates consistent with the terms and rates then offered by us to other residents for that level of care.

- t. Evaluation by a Physician. You agree to permit a physician selected by Retirement Community to evaluate you should we believe, in our sole discretion, that you may pose a threat to yourself or to the health, safety or welfare of our other residents or that you require care that we do not or cannot provide.
- u. Site Plans. All structures and improvements not constructed as of the date of this Contract but shown on a site plan or in advertising or promotional material for the Retirement Community are solely for the illustrative purposes of showing the proposed development of the Retirement Community, and we are under no obligation to you to complete such structures or improvements.
- v. Entire Contract. This Contract constitutes the entire agreement between you and us. We are not liable for or bound in any manner by any statements, representations or promises made by any person representing or purporting to represent us unless such statements, representations or promises are set forth in this Contract.
- w. Governing Law. This Contract shall be governed by and interpreted in accordance with the law of the State of North Carolina and any applicable federal laws.
- x. Amendments Only in Writing. This Contract may only be amended or changed in writing by all parties to the Contract and in accordance with any applicable laws governing the Contract. This Contract replaces any prior contracts between the parties.

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

\_\_\_\_\_  
PAMELA S. FOX, PRESIDENT / CEO (SEAL)

\_\_\_\_\_  
RESIDENT (SEAL)

\_\_\_\_\_  
RESIDENT (SEAL)



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

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

**BACKGROUND**

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

**AGREEMENT**

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

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

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

2. ADMISSION FEE.

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

3. CANCELLATION, TERMINATION AND RESCISSION PRIOR TO OCCUPANCY

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

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

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

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

- b. Cancellation Due to Injury, Death or Incapacity. If prior to the Initial Occupancy Date you die or become unable to live independently because of illness, injury or incapacity, this Contract is automatically canceled and you or your legal representative shall receive a refund of all amounts you have paid to us subject to the provisions of paragraph d of this Section.
- c. Termination by Retirement Community. We may terminate this Contract at any time before the Initial Occupancy Date if we determine, in our sole discretion, that one of the following events has occurred: a) you made a material misrepresentation or omission in your admission application; b) you experienced a change in your health or financial condition such that you no longer satisfy our



admissions criteria; or c) you fail to pay the Admission Fee in accordance with the Payment Schedule. If we terminate this Contract, we will refund all amounts you have paid to us, subject to the provisions of paragraph d of this Section.

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

#### 4. MONTHLY OCCUPANCY CHARGES.

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

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

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

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

## 5. OCCUPANCY OF LIVING UNIT.

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

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

- ii. Marriage to a Person Not a CCRC Contract Holder. If you marry someone who is not a resident of the Retirement Community under a CCRC contract with us, your spouse may become a resident of your Living Unit if your spouse 1) meets all the current requirements for admission to the type of Living Unit you occupy; 2) signs this contract and any amendments we deem necessary; and 3) pays an additional Admission Fee, the amount to be determined by the retirement community. If your spouse does not meet our requirements for admission or chooses not to become a CCRC contract holder with us, you may request that your spouse be permitted to occupy your unit. If we approve your spouse's occupancy, you will pay a second person Occupancy Charge for your spouse, but your spouse will have no rights under this contract and no claim for care, services or residency from us.
  
- d. Relocation to Another Independent Living Unit. We will consider your request to move from one living unit to another within Independent Living, and we reserve the exclusive right to determine, in our discretion, whether to permit such a move. A move to another living unit does not cause any change to the accrual period used to determine the refund amount to which you may be entitled upon termination of this Contract. You may be charged an additional Admission Fee equal to the difference between the then current Admission Fee for the new unit and the accrual portion of the Admission Fee you paid for your Living Unit under this Contract. In addition, you may be charged an internal move fee pursuant to our internal move policy, and the contract on the new unit will continue to be subject to the terms of a 50% refund contract. You will be responsible for your cost of moving.

## 6. FACILITIES AND SERVICES PROVIDED BY RETIREMENT COMMUNITY.

- a. Physical Facilities. The Retirement Community consists of apartments, villas, and garden homes for Independent Living; apartments for Assisted Living; a Healthcare Facility; a Memory Care Facility; administrative and staff offices; recreational facilities; facilities for preparing and serving meals; and common activities facilities.
  
- b. Basic Services. The following basic services and expenses will be covered by your monthly Occupancy Charge:
  - i. Insurance. We carry fire and extended coverage insurance on our buildings and liability coverage for the Retirement Community. You are required to secure and are responsible for the cost of property and casualty and liability insurance for your personal belongings and other personal property located at the Retirement Community. We do not carry insurance on your personal property.
  
  - ii. Utilities. We furnish and pay for the cost of heat and electricity, air conditioning, cable television service, internet service, water and sewer

services, and trash collection. You are responsible for the cost of installation of telephone service and the monthly charge for that service.

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

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

7. MAINTENANCE OF LIVING UNIT.

a. Your Responsibilities. You agree:

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

b. Our Responsibilities. We agree:

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

8. RESIDENT ACCESS TO OTHER RETIREMENT COMMUNITY FACILITIES.

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

9. TERMINATION AFTER INITIAL OCCUPANCY DATE.

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

items we choose, and you agree to pay the actual cost for such packing and storage. You also agree that we are not responsible for any damage that occurs to your personal property remaining in your Living Unit after you have vacated the Living Unit. If you do not pay the packing/storage fee and do not retrieve your personal property within three (3) months of your last day of occupancy, we may dispose of the personal property in any manner we deem appropriate, and we shall not be liable to you or your heirs for such personal property or any proceeds from the sale of such personal property.

- e. Payment of Admission Fee Refund upon Termination of this Contract. Upon termination of this Contract after the Initial Occupancy Date, you shall be entitled to receive a refund of a portion of your admission fee. No part of the amount you paid us to make special changes or improvements to your Living Unit, as described on Exhibit 1.3 or in any amendment hereto, is refundable.

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

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

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

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

- i. Accrual Period. For purposes of calculating the refund payable to you under this provision of the Contract, the first day of your Accrual Period shall be the Initial Occupancy Date; the last day of your Accrual Period shall be the day on which you a) have ceased to be a resident of the Retirement Community in any level of care; b) have removed all of your personal property from the Living Unit (or from such other unit within the facilities of the Retirement Community as you occupied at the time you ceased to be a resident of the Retirement Community); and c) have delivered to us your keys to the Living Unit, thereby relinquishing your free access to the

Living Unit. You and we recognize that the first thirty (30) days of your Accrual Period are subject to the provisions of the Section of this Contract entitled "Right to Rescind." Under no circumstances shall the accrual period exceed 912 days.

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

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

- a. Mediation. You and we agree that if you or your representative has a claim or dispute against us, you or your representative shall notify us in writing of the dispute and shall provide a description and factual details of the nature of the claim or dispute. You and we
  - i. May submit evidence or information in writing to a mediator, to be designated by the mutual agreement of you and us, in support of the claim or dispute and of any defense either of us may have to the claim. If you and we cannot agree on the designation of a mediator, each party shall select a mediator, and those two mediators shall then select a third mediator who will mediate the dispute. This selection of a mediator shall be binding upon both of us;
  - ii. Have the right to a hearing before the mediator, at which you and we may present evidence in support of or in defense of any such claim or dispute to the extent allowed by the mediator. The mediator will set the time and date of the hearing and assist each of us in an unbiased manner in attempting to reach an amicable settlement of the claim or dispute;
  - iii. Agree that the mediation shall be scheduled at a time convenient for you and us and shall be held in Alamance County, North Carolina;
  - iv. Agree that, if either of us refuses to negotiate or mediate in a good faith attempt to resolve the matter of concern, the mediator shall be required to note that fact in the mediator's conclusion to the mediation attempt;



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

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

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

The parties agree that damages awarded, if any, in an arbitration conducted pursuant to this Section 10 shall be determined in accordance

**with the provisions of the state or federal law applicable to a comparable civil action, including any prerequisites to, credit against, or limitations on, such damages.**

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

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

11. REPRESENTATIONS AND FURTHER AGREEMENTS BY YOU.

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

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

- c. Obligation to Update Health and Financial Information. You agree to provide such additional health and financial information as we may request during the term of this Contract. You agree to notify us if you learn that you have a communicable disease. Accordingly, you also agree to authorize the release of all medical information to us at any time we request such information, and you have executed such an authorization coincident with the execution of this Contract. In addition, you agree to furnish a full and accurate financial statement of assets, liabilities, and income and shall authorize the release of all financial information of third parties to us at any time we may so request. You also authorize us to release such health and financial information to third parties (i) who provide financial assistance to you or (ii) to whom you have applied for assistance, including but not limited to, the Department of Social Services, the Social Security Administration, the Division of Medical Assistance, other organizations involved in the administration of Medicare and Medicaid, and health insurance companies. You also authorize us to communicate with such programs or companies and them with us concerning your application and eligibility. You have executed such an authorization coincident with the execution of this Contract.
- d. Medical Insurance. You agree to maintain Medicare Part A and Medicare Part B, or equivalent insurance coverage acceptable to us, with evidence of such coverage upon request.
- e. Emergency Transportation. In the case of an emergency, you authorize us to arrange for transportation by an emergency services provider that we choose in our discretion. You agree to pay the cost of the emergency services provider.
- f. Other Health Costs. You agree to pay the cost, if any, for services of consultants and other services and supplies not included in this Contract when expressly ordered by your physician or requested by you or your family. In the event of a health emergency, you agree to pay for additional charges in excess of the monthly Occupancy Charge for special services or supplies that we, in our discretion, deem reasonable or necessary.
- g. Reasonable Care. We agree to exercise such reasonable care toward you as your known condition may require. However, we are in no sense an insurer of your safety or welfare and assume no liability for such.
- h. Move to Another Level of Care. We may effect your move to another living unit in Independent Living or another level of care within the facilities of the Retirement Community. The decision to effect such a move will be in our sole discretion and will be binding on you; the decision will be made, however, only after consulting with you, and when we deem it appropriate, with your family, physician, or designee.
- i. Valuables. Neither we nor our employees are responsible for any valuables or money in your possession. We accept full responsibility for valuables and money turned over to us for safekeeping.
- j. Rules and Regulations. You agree to abide by all rules and regulations in effect from time to time and applicable to residents of the Retirement Community.
- k. Tobacco Free Campus. Twin Lakes Community is a tobacco-free campus. The use of tobacco products is strictly prohibited on our campus, including within private residences on our campus. You agree to adhere to, and to ensure that any

guests of yours adhere to, our tobacco-free policy, and to any modifications to the policy.

- l. Pets. You agree that, without our prior written consent, you will not keep or maintain either temporarily or permanently any dogs, cats or other animals or pets, except for fish or small birds in appropriate containers.
- m. Non-Assignment. Your rights and privileges under this Contract are personal to you and cannot be transferred or assigned to any other person voluntarily or by execution of law. No person other than you may occupy your Living Unit except with our prior written approval.
- n. Additional Obligations. In addition to the other obligations under this Contract, you agree:
  - i. To absolve and release us and our employees of any responsibility for any event, accident or deterioration of medical condition while you are away from the premises of the Retirement Community and not under the direct care and supervision of our staff.
  - ii. To pay and indemnify us for all costs we incur, including reasonable attorney's fees, if you fail to pay any amount due us under the terms of the Contract, or if you breach any other terms of this Contract.
  - iii. If you are injured by a third party, you agree that we shall be subrogated to your rights to recover from such third party the costs and expenses incurred by reason of such injuries, and you authorize us to take all necessary steps to enforce the payment of such costs and expenses by the responsible third party.
  - iv. You agree to pay or reimburse us for any loss or damage we suffer as a result of the negligence or misconduct of you or your guest or invitee. We assume no responsibility for any injury or illness you suffer as a result of the negligence or intentional misconduct of any third party.
- o. Nature of Your Rights. Your rights under this Contract are the rights and privileges herein expressly granted and do not include any proprietary interest membership in the Retirement Community.
- p. Obligations Divisible. If a portion of this Contract shall be determined to be illegal or unenforceable or not in conformity with applicable laws and regulations, the remainder of this Contract shall continue in full force and effect.
- q. Disclosure Statement. You hereby acknowledge that you have received a copy of our current disclosure statement. In the event of any discrepancy between the language contained in this Contract and the language contained in the disclosure statement, the language of this Contract shall control. You further acknowledge that, prior to the execution of this Contract, you have transferred to us no money or other property except for your deposit money.
- r. Successors and Assigns. This Contract shall be binding upon, inure to the benefit of, and be enforceable by, Lutheran Retirement Ministries of Alamance County, North Carolina d/b/a Twin Lakes Community, its successors and assigns.

- s. Transfer to Another Level of Care. If you transfer to another level of care at the Retirement Community, you agree to enter into an addendum agreement at that time specific to the new level of care. The Addendum will contain terms and occupancy rates consistent with the terms and rates then offered by us to other residents for that level of care.
- t. Evaluation by a Physician. You agree to permit a physician selected by Retirement Community to evaluate you should we believe, in our sole discretion, that you may pose a threat to yourself or to the health, safety or welfare of our other residents or that you require care that we do not or cannot provide.
- u. Site Plans. All structures and improvements not constructed as of the date of this Contract but shown on a site plan or in advertising or promotional material for the Retirement Community are solely for the illustrative purposes of showing the proposed development of the Retirement Community, and we are under no obligation to you to complete such structures or improvements.
- v. Entire Contract. This Contract constitutes the entire agreement between you and us. We are not liable for or bound in any manner by any statements, representations or promises made by any person representing or purporting to represent us unless such statements, representations or promises are set forth in this Contract.
- w. Governing Law. This Contract shall be governed by and interpreted in accordance with the law of the State of North Carolina and any applicable federal laws.
- x. Amendments Only in Writing. This Contract may only be amended or changed in writing by all parties to the Contract and in accordance with any applicable laws governing the Contract. This Contract replaces any prior contracts between the parties.

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

\_\_\_\_\_(SEAL)  
 PAMELA S. FOX, PRESIDENT / CEO

\_\_\_\_\_(SEAL)  
 RESIDENT

\_\_\_\_\_(SEAL)  
 RESIDENT

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

**d/b/a**

**TWIN LAKES COMMUNITY**

**DISCLOSURE STATEMENT**

**ATTACHMENT 5**

**INTERIM FINANCIAL STATEMENT**

## Statement of Operations

Twin Lakes Community (TL)

12/1/19 to 12/31/19

Month Actual	Month Budget	Month Diff	Account	Days	2019-2020 YTD Actual	2019-2020 YTD Budget	2019-2020 YTD Diff	2018-2019 YTD
2,925		2,925	<b>00-900 NET INCOME (LOSS)</b>		8,769		8,769	8,658
2,925		2,925	<b>00-400 REVENUES</b>		8,769		8,769	8,658
847,651	833,675	13,976	00-405 NURSING		2,541,816	2,501,025	40,791	2,416,983
286,405	291,642	5,237	00-408 MEMORY CARE		866,246	874,925	8,679	821,461
179,514	171,708	7,806	00-410 ASSISTED LIVING		525,260	515,125	10,135	510,709
59,975	64,917	4,942	00-415 HOME CARE AGENCY		182,978	194,750	11,772	187,700
964,117	1,018,325	54,208	00-420 INDEPENDENT LIVING		2,915,319	3,054,975	139,656	2,789,442
112,921	127,042	14,121	00-425 ANCILLARIES		359,218	381,125	21,907	340,058
34,027	38,500	4,473	00-430 MEALS		110,822	115,500	4,678	110,213
47,497	37,750	9,747	00-435 INVESTMENT INCOME		113,614	113,250	364	122,306
69,735	52,475	17,260	00-440 OTHER		179,151	157,425	21,726	187,939
(232,967)	(245,100)	12,133	00-445 CONTRACTUAL ADJ.		(730,351)	(735,300)	4,948	(672,757)
			00-450 TRANSFER FROM A&A					
<b>2,368,875</b>	<b>2,390,933</b>	<b>22,059</b>	<b>Total REVENUES</b>		<b>7,064,073</b>	<b>7,172,800</b>	<b>108,727</b>	<b>6,814,055</b>
<b>00-500 EXPENSES</b>								
520,483	460,412	60,071	00-505 NURSING SALARIES		1,497,990	1,381,237	116,753	1,382,251
636,973	593,242	43,732	00-510 REGULAR SALARIES		1,801,020	1,779,725	21,296	1,691,526
95,048	85,600	9,448	00-515 THERAPIST & CONTRACT		278,904	256,800	22,104	242,516
264,792	263,308	1,484	00-520 BENEFITS		786,972	789,924	2,953	883,703
217,033	160,466	56,566	00-525 SUPPLIES		532,425	481,399	51,026	466,458
83,639	86,417	2,777	00-530 FOOD		255,128	259,250	4,122	246,753
1,254	12,050	10,796	00-535 EDUCATION/TRAVEL		12,756	36,150	23,393	18,256
16,671	35,283	18,613	00-540 MAINT. REPAIR/CONTRACT		126,556	105,850	20,706	37,342
132,105	140,583	8,478	00-545 UTILITIES		383,147	421,750	38,603	416,574
29,875	29,875		00-550 INSURANCE		89,625	89,625		91,176
(2,616)	10,000	12,616	00-555 LEGAL/ACCOUNTING		69,009	30,000	39,009	57,067
44,202	221,567	177,365	00-560 INTEREST		156,741	664,700	507,959	229,581
			00-565 RENT					
150,000	179,583	29,583	00-570 BOND PRINCIPAL		382,800	538,750	155,950	300,300
51,680	70,372	18,693	00-575 OTHER EXPENSES		190,692	211,117	20,425	164,045
14,000	4,667	9,333	00-580 CONTRIBUTIONS		14,000	14,000	0	
1,864	1,975	111	00-585 PROPERTY TAX		1,864	5,925	4,061	
7,408	8,342	933	00-590 CAPITAL EXPENDITURES		31,208	25,025	6,183	41,094
			00-595 DEPRECIATION/AMORTIZATION					
<b>2,264,410</b>	<b>2,363,742</b>	<b>99,333</b>	<b>Total EXPENSES</b>		<b>6,610,837</b>	<b>7,091,227</b>	<b>480,390</b>	<b>6,268,641</b>
<b>104,465</b>	<b>27,191</b>	<b>77,274</b>	<b>Total NET INCOME (LOSS)</b>		<b>453,235</b>	<b>81,573</b>	<b>371,663</b>	<b>545,414</b>
<b>Add:</b>								
			Admission Fees Earned		1,000,000			975,000
			Bond Principal		382,800			300,300
			Equipment Purchases		31,208			41,094
			Investments Market Value		323,413			(408,294)
			Restricted Donations Received		-			28,773
<b>Less:</b>								
			Depreciation		(1,600,000)			(1,368,750)
			Health Insurance Claims		(64,835)			185,436
			Pledges Payable		(50,000)			(75,000)
			Transfer from Resident Assistance		(15,000)			(15,000)
<b>Operating Income - Full Accrual Basis</b>					<b>460,821</b>			<b>208,973</b>

**Balance Sheets**  
*as of 12/31/19*  
Twin Lakes Community (TL)

<i>Account</i>	<i>Description</i>		
<b>00-100</b>	<b>ASSETS</b>	<b>December 2019</b>	<b>December 2018</b>
<b>00-105</b>	<b>CURRENT ASSETS</b>		
00-110	CASH AND INVESTMENTS - Unrestricted	21,415,048	26,277,446
00-110	CASH AND INVESTMENTS - Restricted	50,236,551	7,694,629
00-115	RESIDENT RECEIVABLES	1,197,499	1,121,593
00-120	OTHER RECEIVABLES	255,358	138,108
00-130	INVENTORY	242,224	193,223
00-140	PREPAID EXPENSES	62,753	34,358
	<b>Total CURRENT ASSETS</b>	<b>73,409,432</b>	<b>35,459,356</b>
<b>00-160</b>	<b>NON CURRENT ASSETS</b>		
00-165	FIXED ASSETS	95,274,712	83,989,353
00-170	OTHER NONCURRENT ASSETS	1,165,614	104,891
	<b>Total NON CURRENT ASSETS</b>	<b>96,440,327</b>	<b>84,094,243</b>
	<b>Total ASSETS</b>	<b>169,849,759</b>	<b>119,553,599</b>
<b>00-200</b>	<b>LIABILITIES AND FUND BALANCE</b>		
<b>00-205</b>	<b>LIABILITIES</b>		
<b>00-210</b>	<b>CURRENT LIABILITIES</b>		
00-215	ACCOUNTS PAYABLE & ACCRUALS	2,465,112	2,980,087
00-260	ACCRUED DERIVATIVE LIABILITY	918,504	600,102
		<b>3,383,616</b>	<b>3,580,189</b>
<b>00-240</b>	<b>LONG TERM LIABILITIES</b>		
00-245	BONDS PAYABLE	66,013,257	19,055,000
00-250	OTHER LONG TERM LIABILITIES	53,338,226	51,024,873
		<b>119,351,483</b>	<b>70,079,873</b>
	<b>Total LIABILITIES</b>	<b>122,735,098</b>	<b>73,660,062</b>
<b>00-300</b>	<b>FUND BALANCE</b>		
	<b>Total FUND BALANCE</b>	<b>47,114,660</b>	<b>45,893,537</b>
	<b>Total LIABILITIES AND FUND BALANCE</b>	<b>169,849,759</b>	<b>119,553,599</b>



**Lutheran Retirement Ministries of Alamance County, NC**  
**Cash Flow Statement**  
**For Three Months Ended December 31, 2019**

	2019	2018
<b>Operating Cash Flows</b>		
Residents & 3 <sup>rd</sup> Parties Received	6,699,140	6,591,336
Investment income received	461,981	(264,246)
Donations received	69,281	102,619
Cash paid to suppliers and employees	(9,107,102)	(5,302,769)
Interest paid and related fees	(156,741)	(229,581)
<b>Net Cash Provided/(Used) by Operating Activities</b>	<b>(2,033,440)</b>	<b>897,359</b>

<b>Investing Cash Flows</b>		
Net Purchase of Marketable Securities	(410,780)	331,938
Acquisition of property and equipment	(4,178,581)	(972,166)
Bond Issuance Cost	(1,072,549)	-
<b>Net Cash Used in Investing Activities</b>	<b>(5,661,910)</b>	<b>(640,228)</b>

<b>Financing Cash Flows</b>		
Bond Proceeds	49,313,257	-
Admission Fees Received/Refunded	715,967	1,571,243
<b>Net Cash Provided by Financing Activities</b>	<b>50,029,224</b>	<b>1,571,243</b>

Net Increase in Cash and Cash Equivalents	42,333,873	1,828,375
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Cash and Cash Equivalents - Oct 1st	15,369,779	18,926,276
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<b>Cash and Cash Equivalents - Current</b>	<b>57,703,652</b>	<b>20,754,651</b>
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<b>Investments - Marketable Securities</b>		
Investment-Operating Reserve	7,410,990	6,650,195
Investment-Debt Service	3,920,584	3,519,178
Investment-Capital Reserve	2,939,785	2,639,758
Unrecorded Appreciation	(323,413)	408,294
<b>Cash and Investments - Balance Sheet</b>	<b>71,651,599</b>	<b>33,972,075</b>