

**DISCLOSURE STATEMENT**  
May 28, 2021



**ARBOR  
ACRES**

**ARBOR ACRES UNITED METHODIST  
RETIREMENT COMMUNITY, INC.**

1240 Arbor Road  
Winston-Salem, NC 27104-1197  
Telephone (336) 724-7921, Fax (336) 721-0271  
[www.arboracres.org](http://www.arboracres.org)

**The Mission of Arbor Acres**  
*Through excellence, innovation, caring, and beauty,  
Arbor Acres cultivates community, comfort, and well-being  
for Senior Adults.*

**The Vision of Arbor Acres**  
*Arbor Acres:  
Senior Adults Living Life Fully*

**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 October 28, 2022. Delivery of the Disclosure Statement to a contracting party before execution of a contract for continuing care is required. This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.**

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## DISCLOSURE STATEMENT

### ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC.

May 2021

#### **ORGANIZATION INTRODUCTION AND INFORMATION (Corporation)**

##### Narrative Description of the Organization and Its Operation

The name of this organization is Arbor Acres United Methodist Retirement Community, Inc. ("Arbor Acres"). Its business address is 1240 Arbor Road, Winston-Salem, North Carolina, 27104. Arbor Acres is a continuing care retirement community.

##### Affiliation(s)

Arbor Acres is the parent corporation and sole member of Arbor Acres Home Care, LLC ("Home Care"). Home Care was established to provide home care services to the residents of Arbor Acres as well as individuals in Forsyth and surrounding counties.

Arbor Acres is organized under the sponsorship of the Western North Carolina Annual Conference of The United Methodist Church. The extent of the affiliation between Arbor Acres and the Conference is set out in a Statement of Relationship, a copy of which follows the narrative section of this Disclosure Statement. The Conference is not responsible for the financial and contract obligations of Arbor Acres. Arbor Acres holds membership in LeadingAge and LeadingAge NC, the national and state industry associations organized to support education, advocacy and research.

##### Non-Profit/For Profit Status

Arbor Acres is a North Carolina non-profit corporation, exempt from the payment of federal income tax under Section 501(c)(3) of the Internal Revenue Code. Home Care is a limited liability company that has not elected to be taxed as a corporation under the Internal Revenue Code (IRC) regulations. Home Care is wholly owned by Arbor Acres. As such, Home Care is considered a disregarded entity under current IRC regulations.

##### Accreditation(s)

Arbor Acres is accredited through the Commission on Accreditation of Rehabilitation Facilities and the Continuing Care Accreditation Commission of LeadingAge.

#### **FACILITY INTRODUCTION AND INFORMATION (Facility)**

##### Narrative Description of the Facility and Its Operation

Arbor Acres is a non-profit continuing care retirement community providing a continuum of residential accommodations. These include independent living facilities with 3 mid-rise residential wings containing 76 units (studio, efficiency and one-bedroom connecting room units); 12 courtyard homes, 44 Stockton Building apartments, and 123 houses. The main building complex contains the 3 mid-rise residential wings and the following support facilities: Business offices, Piner Hall, Fitness Center, arts and crafts room, bistro, recreational areas, dining rooms, beauty shop, several parlors, kitchens, housekeeping, laundry, and maintenance service areas.

In addition to independent living units and support facilities mentioned above, Arbor Acres also has licensed beds in two areas of the campus: Strickland Place at Fitzgerald (herein after referred to as the Health Center) and the Asbury Place Building. Arbor Acres is licensed for 189 beds (83

skilled beds and 106 Adult Care Home beds). Support facilities in the Health Center include offices, family rooms, dining rooms, activity areas, physical therapy room, special bathing unit (SPA), and beauty shop.

Arbor Acres operates under the supervision of a Board of Directors responsible for the establishment of operational policy. Daily operation of Arbor Acres is supervised by a President and CEO. Operation of the facility is the immediate responsibility of 11 departments: Marketing/Public Relations, Human Resources, Finance, Resource Development, Environmental Services, Buildings and Grounds, Dining Services, Nursing, Chaplaincy, Wellness Services, and Continuing Care.

Legal Description

Arbor Acres is a corporation chartered by the State of North Carolina.

Identification and Background of Officers, Directors, Management Staff, Owners Including Addresses, and Professional Services

The present Officers and Directors of Arbor Acres, together with the principal business affiliation and address of each, are as follows:

<u>Board of Directors</u>	<u>Principal Business Affiliation, Address</u>
Ms. Pamela H. Ball Board Chair	Textile and Apparel Consultant, Retired 559 Westover Avenue Winston-Salem, NC 27104
Mr. John W. Willingham Board Chair Elect	President, Indera Mills P.O. Box 309, 350 W. Maple Street Yadkinville, NC 27055
Ms. Cynthia S. Graham Secretary	Executive Director, Strickland Family Foundation 175 Warwick Green Road Winston-Salem, NC 27104
Mr. Jack Lauer Treasurer	CFO, Pine Hall Brick Company 3025 Lakeshore Drive Winston-Salem, NC 27106
Ms. LaTanya Afolayan	Vice Chancellor for University Advancement, WSSU PO Box 30316 Winston-Salem, NC 27130
Mr. Samuel M. Black	Retired from banking PO Box 25185 Winston-Salem, NC 27114
Mr. Arthur L. Bloom	Executive and Business Coach 123 S. Pine Valley Road Winston-Salem, NC 27104

Ms. Courtney H. Douglas	Business Co-owner 2843 Bitting Road Winston-Salem, NC 27104
Ms. Christin M. Dunn	Accountant 323 Windsor Oaks Court Winston-Salem, NC 27104
Dr. John Earle	Resident 1244 Arbor Road, Box 458 Winston-Salem, NC 27104
Mrs. Susan C. Elster	Philanthropic Advisor, Winston-Salem Foundation 150 Plymouth Avenue Winston-Salem, NC 27104
Mr. Donald F. Eppert	Resident 1352 Susanna Wesley Drive, #113 Winston-Salem, NC 27104
Mr. David C. Hinton	CPA; Business Owner 123 Fayette Street Winston-Salem, NC 27101
Dr. Vincent W. Howell	Pastor 230 Pennywhistle Lane Clemmons, NC 27012
Ms. Carroll McCullough	Resident 1244 Arbor Road #B-307 Winston-Salem, NC 27104
Ms. Drewry H. Nostitz	Philanthropist; Community Supporter & Volunteer 2820 Thornfield Road Winston-Salem, NC 27106
Mr. Chris Pearce	VP IT/CIO, Forsyth Technical Community College 3238 Pennington Lane Winston-Salem, NC 27106
Mr. J. Hill Stockton	President, Norman Stockton P.O. Box 5066 Winston-Salem, NC 27113
Ms. Wendy Walker-Fox	Executive Director, Piedmont Triad Workforce Dev. Board 1398 Carrollton Crossing Drive Kernersville, NC 27284

Ex Officio

Bishop Paul L. Leeland

Residing Bishop, Western NC Annual Conference  
The United Methodist Church  
P. O. Box 18750  
Charlotte, NC 28218

The Rev. Dr. Sam Moore

District Superintendent, Yadkin Valley District  
The United Methodist Church  
1031 Reynolda Road  
Winston-Salem, NC 27104

Ms. Judy Reeder

Resident Council President  
1244 Arbor Road, Box 451  
Winston-Salem, NC 27104

Arbor Acres is managed on a day-to-day basis by Andrew W. Applegate, President/CEO. Andrew Applegate (License #NC2975) became President/Chief Executive Officer of Arbor Acres United Methodist Retirement Community, Inc. on October 1, 2016. Previously he served as Vice President and Executive Director of Asbury Solomons, Solomons, Maryland (2003-2016), the Evangelical Lutheran Good Samaritan Society in various communities in Nebraska, Illinois and Florida (1989-2003). Mr. Applegate is a graduate of the University of Nebraska at Lincoln (BA, Education, Health Occupations Specialization), the University of Phoenix (MA, Organizational Management), Southeast Community College (Nursing Home Administration Specialization) and is an alumnus of the Larry Minnix Leadership Academy of LeadingAge.

Hannah Yoon (Administrator License # 2999) graduated from UNCG in December, 2011 with a Bachelor of Science in Recreation and Parks Management. She studied abroad in Norway through UNCG. She worked as a Recreational Therapist at Cypress Cove at HealthPark, then as the Dementia Care Program Manager in Fort Meyers, Florida. She served as the Director of ArborView our memory care unit, from October, 2014 until August, 2018. She began her Administrator's training here at Arbor Acres in 2017 and completed it in August of 2018.

Arbor Acres has no present intention of purchasing goods, leases or services of an aggregate value of five hundred dollars (\$500.00) or more within any year from any of the persons listed above or any person having a ten percent (10%) or greater interest or beneficial interest in any professional service, firm, association, trust, partnership or corporation which provides goods, leases or services to Arbor Acres; nor is it intended that any of said persons shall provide goods, leases or services to residents of Arbor Acres. In addition, no company has a 10% or greater interest in any person listed. If any resident of Arbor Acres shall obtain any goods, leases or services from any of said persons, it will be because the resident voluntarily elects and chooses to do so, not because the doing of such business is intended by Arbor Acres or is expected of the resident. Arbor Acres does not know the monetary value of such business, if any, as may be transacted between individuals who happen to reside at the facility and firms or businesses owned or partially owned by individuals who happen to serve as officers or directors of the facility, nor does Arbor Acres have any information from which to make an estimate.

#### Criminal Violation Statement

To the best of the facility's knowledge, based on information furnished to Arbor Acres by each of the persons listed above, none has been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; or is subject to a currently effective injunction or restrictive court order, or within the past five years, had any State or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, if the order or action arose out of or related to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for aged, or facility subject to paragraph (3)c of G.S. Section 58-64-20(a)(3)(c) or a similar law in another state.

### Location and Description of Physical Property

Arbor Acres is located on an approximately 82-acre site at 1240 Arbor Road in Winston-Salem, North Carolina. On this property are the residential facilities described above in the Narrative Description of the Facility and Its Operation.

### Estimated Number of Residents

The number of residents is 526 (as of December 31, 2020) including 47 residents under the Advantage Program.

## **POLICIES**

### Admission

*Health Criteria:* To be accepted as a resident, the applicant's health must be such that the applicant's care requirements are appropriate to, and can be met within the level of care to which the person is requesting admission. For example, a person applying for admission to independent living must be mentally alert, and able to meet his or her personal care needs without assistance or supervision. The agreement entered into between Arbor Acres and resident states that at the time of the execution of the agreement, Arbor Acres has determined that the resident qualified for residency at Arbor Acres both with respect to the resident's mental and physical condition and the resident's ability to take care of anticipated fees and charges. The agreement also provides that it will be necessary for the resident to meet the Arbor Acres health and financial qualifications for residency at the time he or she becomes a resident of the facility, subject to the understanding that if at that time the person is not mentally or physically qualified to occupy a residential unit of the type contemplated under the agreement, but is qualified to live in an Adult Care Home (Assisted Living) unit or in the Health Center of Arbor Acres, he or she will be entitled to such accommodations at the facility as are appropriate to the person's situation and needs, and are then or later become available. Once admitted to Arbor Acres, a resident, from the standpoint of health, may continue to reside at Arbor Acres so long as the facilities and services available can, in the opinion of the facility's medical advisers, provide the level of care needed by the resident. As a resident's needs for care increases, the resident may be required to move to a higher level of care provided by Arbor Acres in order to continue the right of residency at the facility.

*Financial and Insurance Criteria:* To be accepted as a resident and in order for residency to continue, an applicant must agree to pay the entrance fee and monthly fees and charges associated



with the living unit and level of care required by the applicant. Arbor Acres requires applicants to provide a financial statement. Applicants with inadequate financial resources to carry them through their projected life expectancy are nevertheless considered for admission if family members provide guaranties of payment or if the applicant qualifies for financial assistance within the limit of Arbor Acres' ability to provide. Residents whose resources are depleted during residency may remain as residents under the following circumstances: If members of resident's family or other interested parties provide guaranties of payment acceptable to Arbor Acres; or if the Arbor Acres' financial assistance resources are such as to enable the facility to provide the amounts needed. Residents whose financial resources are diverted to other persons or causes, thereby creating a financial need, are not eligible for consideration for financial assistance.

At present Arbor Acres has no insurance criteria affecting admissions. Applicants whose resources are marginal or inadequate to cover their projected residency fees may be encouraged to consider purchase of long-term care insurance as a method of increasing available income once the applicant becomes a resident of a licensed level of care.

*Age Requirements:* One must be 62 years of age to become a resident of Arbor Acres; provided, that in the case of a married couple, if one spouse is 62, the minimum age for the other spouse is 60.

*Changes of Condition of Resident Prior to Occupancy/Refund(s)Applicable/Not Applicable/Time Frame of Refund(s):* If between the date of entering into a residency agreement and the date of initial occupancy, an applicant's financial condition changes affecting the applicant's ability to pay expenses associated with residency, the applicant is required to submit a new financial statement. Improvement in the applicant's financial position may alter previous commitments by Arbor Acres to provide financial assistance. A decline in the applicant's capacity to pay the previously agreed upon periodic fees and charges may require reassessment of the applicant's ability to reside at Arbor Acres and whether Arbor Acres is in a position to provide financial assistance. If the applicant is unable to move into Arbor Acres for any reason, the applicant is entitled to an entrance fee refund to the extent of and in accordance with the provisions of the agreement.

*Cancellation/Termination - Refund(s) Applicable/Not Applicable/Time Frame of Refund(s):* Pursuant to the statute, the party (applicant) contracting with the provider (Arbor Acres) may rescind the contract within thirty (30) days following the later of the execution of the contract or the receipt of a disclosure statement. A resident may terminate residency upon thirty (30) days written notice. Arbor Acres may terminate one's residency if:

1. Resident does not pay monthly fees and other charges on a timely basis;
2. Resident's behavior (or that of resident's family members, responsible parties, or others specified in the residency agreement) is detrimental to the spirit of Arbor Acres; or
3. Resident requires treatment or care other than that which Arbor Acres is licensed or staffed to provide.

Termination of residency by Arbor Acres occurs only "as a last resort," when it becomes clear that termination is necessary, and after the resident and/or the resident's responsible party has an opportunity to be heard. On termination of residency any monthly fees paid in advance are prorated and an appropriate refund is made thereof, if any, within sixty (60) days. Provisions relating to entrance fee refunds upon termination of residency are set out in residency agreements as follows. Subject to the statutory refund provisions which apply in the event of rescission of the agreement within thirty (30) days or preclusion, by death, illness, injury, or incapacity, from occupying a unit under the terms of the agreement, then the entrance fee is refundable on a declining basis of two

percent (2%) per month for fifty (50) months, with no part of the entrance fee being refundable after a person has resided at Arbor Acres for fifty (50) or more months. The agreements further provide that payment of the refund is to be made from the entrance fee received by Arbor Acres from the next occupant of the unit. The calculation and payment of any refund to a person who has become a resident is made in the same manner whether termination of residency is voluntary, is at the request of Arbor Acres, or is occasioned by death.

1. 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. Arbor Acres will refund entrance fees paid, as stated in the residency agreement, and less any costs paid by Arbor Acres for resident-requested modifications to a living unit. The refund will be provided within thirty (30) days of receipt by Arbor Acres of all billable costs incurred by the resident.
2. In the event of the death of a resident following the occupancy of a living unit, Arbor Acres will refund the entrance fee, less the \$2,500 non-refundable portion as stated in the residency agreement, and under the prorated refund policy of 2% per month for fifty (50) months, with no part of the entrance fee being refundable after fifty (50) or more months of residency. Upon receiving payment of an entrance fee of that living unit, Arbor Acres will refund to the resident or the resident's estate.
3. In the event of a resident's vacating a unit due to moving to a higher level of care, then no refund of the entrance fees paid will be provided unless that move occurs within ninety (90) days of the resident's move-in date, as provided by the stated refund policy.

*Moves:* Provisions governing moves between levels of living are outlined in the residency agreement. Independent living residential units (such as studios, apartments, houses) may not be made available to a different or new resident except under the following circumstances:

1. If the resident terminates residency at Arbor Acres either voluntarily or at the request of Arbor Acres for cause.
2. If the resident terminates occupancy of the unit by moving to another unit at Arbor Acres, either because of a desire on the part of the resident to move or because of health problems that necessitate a move to another type of unit, such as a studio unit (if the resident resides in a house), Adult Care Home (Assisted Living) or the Health Center.
3. Changing market conditions (specifically, increasing requests for larger apartments and decreasing requests for smaller apartments) make it necessary from time to time for Arbor Acres to convert or combine smaller units. When this must be done, Arbor Acres occasionally finds that it can be accomplished only by having a resident move to another unit to "free up" adjacent units for conversion. Should Arbor Acres find that it must have a resident make such a move, the matter is thoroughly discussed with the resident and the resident is shown the unit to which the resident is to move. Arbor Acres will make the unit to which the resident is to move ready for occupancy, including any needed refurbishment and will assist the residents with the move, all at the expense of the facility.
4. If the resident dies.

In the case of a couple, the death or permanent transfer of one spouse to a different unit does not affect the remaining spouse's right to continue residency in the unit.

In Adult Care Home (Assisted Living) or in the Health Center, Arbor Acres reserves the right to

change one's room from time to time as deemed by Arbor Acres to be necessary or appropriate. Any such changes are made with due regard to the wishes and best interest of the resident as well as Arbor Acres.

*Marriages/New Second Occupant:* If a resident marries while residing at Arbor Acres, the spouse of the resident is expected to follow the facility's normal admission procedure. Among the basic factors for approval are:

1. Spouse of resident must be at least 60 years of age (i.e., older spouse must be at least 62; younger spouse must be at least 60);
2. Physical condition must be appropriate to the level of care to which the person requests entry and the care required must be within levels of care Arbor Acres provides;
3. Behavioral characteristics must be appropriate for group living at Arbor Acres;
4. There must be sufficient financial resources to enable the couple to meet financial obligations, or their circumstances must be such as to qualify for financial assistance within Arbor Acres' policies and ability to provide.

If the applying spouse is approved for residency at Arbor Acres and is to live in the same residential unit with the resident, the applicable second person entrance fee will be required. If the applying spouse is to live in a separate unit, an entrance fee is required. Regular monthly (daily in nursing care and assisted living) fees and other charges would be in accordance with Arbor Acres' regular schedule for double occupancy, or individual occupancy, as appropriate.

If the applying spouse should not meet the requirements for residency, the applying spouse would not be able to reside at Arbor Acres. As of the date of this Disclosure Statement, no applying spouse has failed to meet the requirements.

Other than in the case of a spouse, there are no other provisions currently in place to permit occupancy of a unit by a second occupant who was not party to the original residency agreement. If a current resident marries another current resident who moves into the same accommodation as the first resident, then the resident who is vacating his/her unit will be subject to the same refund policy as a resident who is leaving Arbor Acres. That is, the vacating resident receives a prorated refund at the rate of 2% per month for fifty (50) months. For example, if the vacating resident moves in with the first resident after 12 months of residency, then Arbor Acres will retain 24% of the entrance fee and the balance will be refunded. Accordingly, if the vacating resident has lived in his/her residence for more than fifty (50) months, then there will be no refund provided as the entrance fee has finished amortizing. The couple, now residing together in the first resident's accommodation, will begin paying the second person monthly fee for that residence.

*Inability to Pay:* If a resident should encounter financial difficulty through no fault of his/her own while residing at Arbor Acres, the resident may apply for financial assistance. Arbor Acres has limited financial assistance resources for this purpose. Also, in a number of cases there are guaranty agreements between Arbor Acres and members of a resident's family which make possible the resident's continued residence at the facility. Arbor Acres is unable to guarantee initial or continuing allocations of financial assistance to a resident. As of the date of this Disclosure Statement, it has not been necessary for Arbor Acres to require termination of residency for financial reasons when the financial difficulty was not a result of decisions made by a resident or resident's representative.

Arbor Acres maintains an Assistance Endowment Fund, the income of which is available to Arbor Acres for the assistance of residents who require financial assistance. As of December 31, 2020,

the value of this Endowment Fund was approximately \$17,800,000; and the income from it constitutes one of the several sources of Arbor Acres' annual assistance funds which currently aggregate more than \$1,400,000 a year. The other sources of assistance funds include an annual Mother's Day Offering, and grants from wills, trusts, foundations and the Western North Carolina Annual Conference of The United Methodist Church.

## **SERVICES**

### Standard Services Available:

Services provided by Arbor Acres are addressed in resident agreements; for example, agreements for independent living residents specify the following:

1. Maintenance of buildings and grounds, including unit occupied by resident (standard items only)
2. Utilities: heat, air conditioning, electricity, water and sewer; telephone jack, but not personal telephone handset or telephone service (telephone service, including long distance is offered separately for a fee)
3. Basic cable television (not television set) and internet service
4. Emergency call system
5. Recreational, educational, cultural and spiritual life programs
6. Transportation to routine non-emergency medical appointments within Forsyth County (transportation by ambulance not included)
7. Limited in-patient temporary care (see Services Available at Extra Charge, Identified: Temporary in-patient care)
8. Routine nursing assessment, consultation and services available Monday through Friday in the clinic
9. Weekly housekeeping assistance
10. Laundering of bed and bath linens furnished by Arbor Acres
11. Security personnel on duty in the Welcome Center
12. Dining service with meals or a meal allowance is included in the monthly fee
13. Access to Medicare Certified skilled nursing beds based on qualifications for Medicare Coverage after 30 days of Residence at Arbor Acres.

Agreements for residency in other units, such as houses, Adult Care Home (Assisted Living) or Health Care contain a list of services provided for residents in such units. Services currently provided in Adult Care Home (Assisted Living) and Health Care are set out under those headings below. Circumstances under which Arbor Acres' services may be changed, modified or adjusted are set out in the agreement.

### Services Available at Extra Charge, Identified

Arbor Acres offers to residents in independent living the support services listed below which are provided on an additional monthly charge basis. These services are designed to assist the independent living residents with one or more activities of daily living. Residents will be allowed to remain in independent living provided their needs can be met adequately within the specific limits of these additional support services and provided the resident continues to meet all criteria for independent living.

These additional support services are available as follows:

1. Laundry: Visit by an Arbor Acres Home Care or authorized agency home care staff member to the resident's living unit at a scheduled time to check their clothing and to gather clothes for laundering. Residents' clothing are washed and ironed by the staff member and returned to the resident the same day.
2. Bathing: Residents are scheduled for bathing as needed. Support is provided by a staff member who remains with the resident while he or she takes a bath. Residents are bathed either in their own home or taken to the Spa area in Asbury Place.
3. Transportation: to buildings and locations on or off campus within the city limits of Winston-Salem/Forsyth County, 7 days a week.
4. Meal Delivery
5. Temporary in-patient care: The additional charge for temporary in-patient care is subject to the following exception: There is no additional charge for the first five (5) days of temporary care during any ninety (90) consecutive day period. These five (5) days can be restored only upon completion of ninety (90) consecutive days after discharge from temporary care without returning to and occupying a temporary care bed. Meals are charged from the first day for those residents not on the meal plan. Temporary in-patient care in the Health Center is subject to availability of rooms. In the rare event that a room is not available for in-patient temporary care, Arbor Acres will make every effort to ensure that the resident is provided with appropriate services in their home.
6. Supplies (such as syringes, dressings, etc) utilized by the clinic nurse in providing the resident routine nursing services.

Other services available at extra charge are:

1. Guest meals: Residents who are not on the meal plan and residents desiring to have guests for meals may purchase meals at the established guest meal rate.
2. Guest accommodations: Guest accommodations are available to residents on a first come first serve basis for an additional daily fee.
3. Personal Services: Individual personal services are available to residents at an additional hourly rate.
4. Through Home Care residents may purchase sitter and nursing services.

For schedule of charges applicable at this time for services available at an extra charge.

### ELITE Care

ELITE (Easy Living Including The Extras) is a level of care that is higher than full independent living, but below the level of full Assisted Living. ELITE residents may require and are eligible to receive a broad spectrum of services necessary to enable them to remain comfortable and safe in independent living longer than would be possible otherwise. ELITE residents have access to the following support services as needed: escort to meals and special events on an occasional basis, escort to doctor appointments, daily medication reminders, order of medication and setting up of medication boxes, monthly health evaluation by a nurse in a clinical setting, assistance entering and exiting the tub/monitoring while bathing, personal laundry including ironing when necessary, additional housekeeping, assistance with dressing, activity reminders, consultation about and assistance with managing incontinence, daily home visits by trained ELITE staff members. See page 20 for ELITE Care charges.

Adult Care Home (generally referred to as "Assisted Living")

Adult Care Home (Assisted Living) agreements specify the following services provided by Arbor Acres:

1. Nursing supervision (in accordance with regulatory standards; does not include private duty or individual nurse for each resident), prescribed medication administration and limited assistance with activities of daily living
2. Maintenance of buildings and grounds, including all standard equipment in the accommodation
3. Utilities: heat, air conditioning, electricity, water and sewer
4. Basic cable television and internet service
5. Emergency call system, telephone jacks and assistance in emergencies
6. Recreational, educational, cultural and spiritual life programs
7. Transportation to routine non-emergency medical appointments within Forsyth County (transportation by ambulance not included)
8. In-patient infirmary care in the Health Center for a limited number of days
9. Daily housekeeping assistance
10. Laundering of bed and bath linens furnished by Arbor Acres
11. Laundering of personal clothing (washing, drying, folding, not ironing).
12. Security personnel on duty in the Welcome Center
13. Food service (3 meals daily)

#### Health Services Available

Health Center agreements specify the following services provided by Arbor Acres:

1. Nursing care (in accordance with regulatory standards; does not include private duty or individual nurse for each resident)
2. Maintenance of buildings and grounds, including room occupied by resident
3. Utilities: heat, air conditioning, electricity, water and sewer
4. Basic cable television and Internet access
5. Emergency call system, telephone jacks and assistance in emergencies
6. Recreational, educational, cultural and spiritual life programs
7. Transportation to routine non-emergency medical appointments within Forsyth County (transportation by ambulance, not included)
8. Daily housekeeping assistance
9. Laundering of bed and bath linens furnished by Arbor Acres
10. Laundering of personal clothing (washing, drying and folding, not ironing)
11. Security personnel on duty in the Welcome Center
12. Food service (3 meals daily and routine between meal nourishments). Note:  
Administration of physician-prescribed gastric tube feeding included; cost of prescribed food substitutes and supplements not included.
13. Social Work services

Arbor Acres furnishes each Health Center resident a document entitled "Strickland Place & Arborview at Fitzgerald Statement of Services and Related Charges." The statement currently reads as follows:

Strickland Place at Fitzgerald of Arbor Acres provides a full range of nursing care and health supportive services for each resident. Strickland Place at Fitzgerald provides for Assisted Living rooms and skilled nursing care, for which the facility is duly licensed by the State of North Carolina. The following rates have been established for admission to and residency in Strickland Place at Fitzgerald. Persons admitted directly to Strickland Place at Fitzgerald without having previously resided at Arbor Acres must pay a \$2,800 non-refundable entrance fee at the time of admission. Charges for the first month of occupancy will be due at the time of admission and will be prorated based on the number of days remaining in the first month of occupancy. Payments for subsequent months will be due in advance at the first of each month. Payments may be made between the first and the tenth of the month.

Residents pay a daily charge for services rendered by both licensed nurses and certified nursing assistants. This daily charge also includes meals and clinical dietetic services, personal laundry service, all utilities (except telephone), housekeeping, maintenance, and access to Arbor Acres program activities and social services. Services rendered at Arbor Acres are not reimbursable under the Medicaid program of the federal government. The restriction on Medicaid participation was imposed by the State of North Carolina as a condition for the construction and licensing of Strickland Place at Fitzgerald. The current room rates are as follows:

Skilled Nursing - \$351.00 per day; Arborview (Dementia care) - \$318.00 per day; and Assisted Living - \$213.00 per day (Studio); \$248.00 per day (one bedroom apartment). Excluded from the daily room rate are charges for pharmacy services, personal medical supplies, personal care products, beauty/barber shop visits, physician services, dental services, podiatry services and services rendered by a licensed therapist as part of an individualized program of rehabilitation. Arbor Acres is a certified Medicare facility, therapy services are covered under Medicare Part A and Part B.

Therapy services are provided under Medicare Part B benefits and there are some limitations. The therapy provider advises residents about the coverage under Medicare and what must be private pay.

Our staff physician schedules weekly appointments in Strickland Place at Fitzgerald and arranges for emergency physician services 24 hours a day. Residents may use the services of our staff physician or may select another personal physician who will come to Arbor Acres on a monthly basis and perform the services required by state licensure. The resident will be fully responsible for all physician services charges which they may incur, including the Medicare deductible and co-payment.

Medical supplies, pharmaceutical services and some personal care products are provided for all residents of Strickland Place at Fitzgerald. Enrollment in these programs will assure maximum efficiency and security in the administration of resident's medications, and availability of needed supplies on a continuous basis. A list of current charges is available upon request. All medications, medical supplies and personal care products will be billed monthly to each resident either by the facility or the provider of the service.

The maintenance fee (whether stated on a monthly or daily basis) is payable in advance each month; all charges incurred during a month are billed at the end of the month. All fees and charges are normally included in one monthly statement and are payable in full promptly upon receipt of statement. An itemized statement may include medical supplies, oxygen, beauty/barber shop

charges, personal care products, guest meals, special activities and guest room or guest house charges. Payment is requested within 10 days. A late payment charge of 1.5% per month, computed from the statement date, will be made on any amount not received within 30 days of the statement date.

Residents are responsible for continuing payment of the daily rate during absences from the facility. This is necessary in order to assure the availability of a bed upon returning. Fees for services during the last month of occupancy will be prorated and any remaining unused days of care will be refunded to the resident or to the resident's estate.

#### Personal Services Available

Other services available for which there is no additional charge include an optional daily check-in system, check cashing services, package shipping, access to washers/dryers, complete kitchens and sitting areas. Services available through Arbor Acres may be added or deleted from time to time. Charges for services may be adjusted periodically as found necessary by Arbor Acres. Normally such adjustments are made as part of the facility's annual budget preparation process.

#### Home Care Services Available

Arbor Acres Home Care, LLC (doing business as Arbor Acres at Home) allows residents to age in place at home in familiar and comforting surroundings. The program provides a suite of a la carte, in home services that help residents maintain their highest level of independence possible while receiving the care they need, providing such services as:

- Assistance with grooming, dressing and household chores
- Bathing or other personal hygiene assistance
- Cleaning out closets
- Laundry and linen care
- Shopping
- Sitter services
- Administration of IV medication
- Education about a new medication or help with medication administration
- Wound care
- PICC lines, trachs, feeding tube and port care
- Emergency assistance around the clock

Arbor Acres at Home is not covered by Medicare but may be covered by individual residents' long term care insurance. Rates vary by type of service provided.

### **FEES**

#### Application/Registration Fee - Refundable/Non-Refundable

Arbor Acres' application fee is \$100.00 (\$200.00 for a couple); it is non-refundable.

#### Entrance Fees

Independent Living - Payment of an Entrance Fee provides the resident with the lifetime use of a residence. If at such time a move may be necessary due to need for a higher level of care then the residence would be released back to Arbor Acres. At the time the resident makes application for residency at Arbor Acres, the resident will sign a Residency Agreement to reserve the residence selected and will pay the Entrance Fee deposit. The balance of the Entrance Fee will be paid upon the earlier of (i) occupancy, to (ii) five days prior to the Occupancy Date stated in the Residency Agreement.



Licensed Areas (Assisted Living and Skilled Nursing): Only residents who move to licensed areas who are not already residents of Arbor Acres pay a one-time entrance fee of \$2,800. Current residents pay no additional entrance fees when moving from their independent living residences.

Monthly and Daily Fees

Independent Living - Residents pay monthly fees to cover services and amenities, including a declining balance meal plan, weekly housekeeping, linens and towels, cable TV, campus-wide wireless internet, maintenance and personal security devices.

Licensed Areas - Daily fees in assisted living and skilled nursing cover services, including all meals, medication management, laundry service, activities, cable and wireless internet.

Second Person Fees: Independent Living - A second person coming into an independent living residence pays a one-time Entrance Fee of \$10,000, and an additional \$1,013 per month.

Entrance Fees for residential units are refundable, less \$2,500 (\$5,000 if two persons enter under one residency agreement) and less 2% a month for the first 50 months of residency. Skilled Nursing and Assisted Living entrance fees are non-refundable except as specified in the residency agreement. Monthly fees are non-refundable; however, because fees are paid in advance, fees will be prorated to the last day of occupancy and a refund of the balance paid to a resident in the event of termination of residency.

For Temporary Care stays beyond the five (5) day period, the daily rate is \$351.00.

Home Care rates apply only to those residents living in independent living who have the need for the specific service offered. Through utilization of those services, residents are able to continue living in an independent unit rather than having to move to a higher level of care. Rates are as follows:

Medication Management	\$198.00 per month
Skilled Nursing visits	\$ 60.00 per visit
Sitter Services	\$ 21.00 per hour (minimum of two hours)
CNA Sitter Services	\$ 24.00 per hour
Home Care Aid visits	\$ 31.00 – 37.00 per hour

Meal rates for guests and for residents not on the meal plan are priced “a la carte.” Lakeside Dining, The Arbor Room, Asbury Dining, and Fitzgerald/Strickland Dining offer print menus with weekly specials. Pricing information is printed on daily menus.

Guest House/Guest Room rates are:

<u>Guest Room</u> – Studio (includes breakfast)	
1 Person	\$105.00 per night
Each Additional Person	\$ 10.00 per night
<u>Guest Room</u> – 1-Bedroom (includes breakfast)	
1 Person/2 Persons	\$110.00/\$118 per night

# FINANCIAL INFORMATION 2021 *Independent Living*

RESIDENCE TYPE	SQUARE FOOTAGE	ENTRANCE FEE	MONTHLY SINGLE FEE
<b><i>Studios and One-Bedroom Apartments</i></b>			<i>Monthly fee includes meal plan and utilities</i>
Studio	315	\$43,000	\$1,889
One-bedroom with Kitchenette	630	\$110,250	\$2,755
One-bedroom Corpening with Kitchen	630	\$113,400	\$2,808
<b><i>Stockton Apartment Building</i></b>			<i>Monthly fee includes meal plan and utilities</i>
A (One-bedroom, One Bath)	991	\$183,335	\$2,747
B (One-bedroom, One-and-a-half Bath, Den)	1,160	\$214,600	\$3,040
C-1 (Two-bedroom, Two Bath)	1,217	\$225,145	\$3,229
C-2 (Two-bedroom, Two Bath)	1,397	\$258,445	\$3,425
C-3 (Two-bedroom, Two Bath)	1,500	\$277,500	\$3,621
D-1 (Two-bedroom, Two Bath, Den)	1,592	\$294,520	\$3,913
D-2 (Two-bedroom, Two Bath, Den)	1,602	\$296,370	\$3,958
D-3 (Two-bedroom, Two Bath, Den)	1,728	\$319,680	\$4,211
E-1 (Two-bedroom, Two Bath, Den)	1,982	\$366,670	\$4,371
Second Resident		\$10,000 additional	\$1,013 additional
Basement Garage Parking			<i>One parking space included for all two-bedroom apartments</i>

<b><i>Homes</i></b>			<i>Monthly fee includes meal plan</i>
One-bedroom, One Bath	<1,200	up to \$241,000	\$2,594
Two-bedroom, Two Bath	1,200-1,399	\$241,200-281,200	\$3,187
Two-bedroom, Two Bath	1,400-1,599	\$281,400-321,400	\$3,412
Two-bedroom, Two Bath	1,600-1,799	\$321,600-361,600	\$3,822
Two-bedroom, Two Bath	1,800-1,999	\$361,800-401,800	\$4,267
Two-bedroom, Two Bath	2,000-2,199	\$412,000-452,995	\$4,512
Two-bedroom, Two Bath	>2,200	\$453,200+	\$4,905
Second Resident		\$10,000 additional	\$1,013 additional

<b><i>Patio Homes</i></b>			<i>Monthly fee includes meal plan and utilities</i>
Two-bedroom, Two Bath	1,326	\$266,526	\$3,100
Second Resident		\$10,000 additional	\$1,013 additional

<b><i>Courtyard Homes</i></b>			<i>Monthly fee includes meal plan and utilities</i>
One-bedroom, One Bath	1,060	\$213,060	\$2,986
Two-bedroom, Two Bath	1,187	\$238,590	\$3,172
Second Resident		\$10,000 additional	\$1,013 additional

# LIVING WITH ASSISTANCE IN ASBURY PLACE

For people who benefit from daily support to achieve maximum well-being, Asbury Place, a licensed assisted living facility, delivers a rewarding residential experience. Asbury Place affords residents an independent lifestyle supported through the provision of discrete accessible services. One-bedroom and studio apartments feature

bay windows, kitchenettes, walk-in closets, and beautiful outdoor areas. Residents also benefit from professional nursing oversight, daily assistance from certified professional caregivers, medication administration, and the pleasures of active social engagement, recreation, and fine dining.

## RESIDENCE TYPE

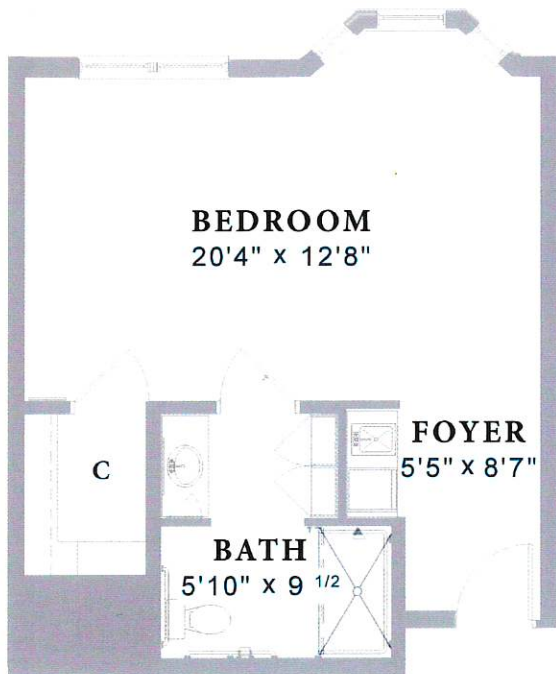
## ENTRANCE FEE

## DAILY FEE

### *Asbury Place Assisted Living*

*Daily fee includes meals, laundry and utilities*

Studio	\$2,800	\$213 per day
One-bedroom Apartment	\$2,800	\$248 per day
Two-bedroom Apartment	\$2,800	\$294 per day
Second Person — Assisted Living	\$2,800	\$172 per day



## *Studio*

Bedroom, bath, foyer



**1 Bedroom**



**1 Bathroom**



**453 square feet**

## *One-Bedroom*

Bedroom, bath, kitchenette, living room



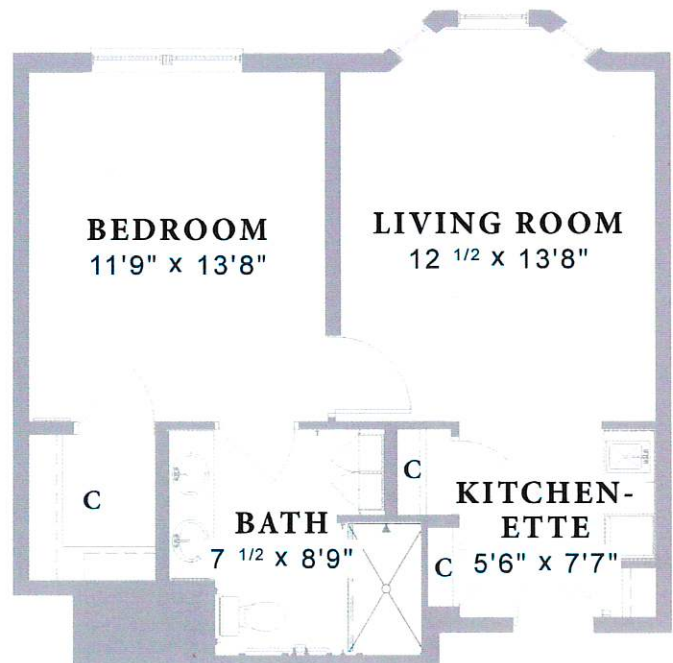
**1 Bedroom**



**1 Bathroom**



**541 square feet**



# ARBORVIEW AT FITZGERALD

For people who experience significantly compromised cognition, Arborview at Fitzgerald offers comprehensive memory care support and a flexible, attentive, and beautifully orchestrated way of life. Licensed as an assisted living level of care, Arborview features devoted and highly trained employees who enhance fun, alleviate stress, engage the mind, foster community, respect the dignity of, and deliver comfort to residents and their loved ones.

Residents enjoy private rooms and an environment that offers them light, uplifting energy, and beauty that is both enriching and soothing to the senses. Safe and secure outdoor areas serve as seamless extensions of the interior's lovely ambiance.



<i>Arborview Memory Care</i>	Private Room
Entrance Fee	\$2,800
<i>Daily fee includes meals, laundry and utilities</i>	\$318 per day

# STRICKLAND PLACE AT FITZGERALD

Strickland Place at Fitzgerald offers compassion and quality of life to people who daily require the highest level of personal and professional service from certified nursing assistants and registered nurses. Residents enjoy private rooms filled with personal furnishings that reflect their tastes and generate for them an enriching sense of home. Strickland Place delivers a warm, spacious, and comforting environment, resplendent with nature's healing energies, that preserves dignity and provides both hope and peace of mind to residents and their families.

<i>Strickland Place Skilled Nursing Care</i>	Private Room
Entrance Fee	\$2,800
<i>Daily fee includes meals, laundry and utilities</i>	\$351 per day

Additional Services

Charge

Additional housekeeping services, such as cleaning attics and closets, polishing silver (other than annual cleaning, personal laundry)

\$20.00 per hour

Transportation to non-medical locations within Winston-Salem city limits, e.g. hairdresser, bank, attorney appointments, etc. This service is available during regular working hours only. (Transportation to medical appointments is included in monthly charge.)

\$38.00 per hour

Escort services for medical/dental appointments for residents other than those in licensed areas.

\$9.50 per 15 minutes or \$38.00 per hour

Services outside those included in the monthly charge, i.e. hanging shelves, putting furniture together, rearranging furniture, non-level-of-care moves (i.e. house to Stockton).

\$43.00 per person, per hour

\$10.75 per person, per 15 minutes

Meal Delivery

\$7.75

Notification of Fee Increase(s)

Arbor Acres may increase fees or may otherwise adjust periodic charges and fees as determined necessary by the Board of Directors in order to maintain the desired quality of service and to operate Arbor Acres on a fiscally sound, non-profit basis. Proposed adjustments in charges and fees are normally made if, and to the extent, found necessary in the course of preparing an annual budget; then, upon approval by the Board of Directors, are implemented at the beginning of the upcoming fiscal year.

Changes in Fees for the Previous Five Years

A five-year history of adjustments in Arbor Acres' most common room fees is reflected on the following page.

**ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC.  
FIVE YEAR HISTORY OF ROOM FEES**

Occupancy Classification	2016		2017		2018			2019			2020			2021			Five Year History	
	RATE	CHG FROM PREV	CHG FROM PREV	% Change	RATE	CHG FROM PREV	% Change	RATE	CHG FROM PREV	% Change	RATE	CHG FROM PREV	% Change	RATE	CHG FROM PREV	% Change	AVG \$ Change	AVG % CHANGE
Studio (3 meals/day)	2,305	2,372	67	2.9%	2,443	71	3.0%	2,529	86	3.5%	2,554	25	1.0%	2,580	26	1.0%	55	2.3%
Studio Efficiency (3 meals/day)	2,367	2,436	69	2.9%	2,509	73	3.0%	2,597	88	3.5%	2,623	26	1.0%	2,649	26	1.0%	56	2.3%
Connecting room Suite (3 meals/day)	3,080	3,169	89	2.9%	3,264	95	3.0%	3,378	114	3.5%	3,412	34	1.0%	3,446	34	1.0%	73	2.3%
Corpening -one bedroom apartment	2,509	2,582	73	2.9%	2,659	77	3.0%	2,752	93	3.5%	2,780	28	1.0%	2,808	28	1.0%	60	2.3%
One Bedroom House																		
Residents prior to 1/1/01 (no meals)	1,923	1,979	56	2.9%	2,038	59	3.0%	2,109	71	3.5%	2,168	59	2.8%	2,229	61	2.8%	61	3.0%
Residents after 1/1/2003	2,237	2,302	65	2.9%	2,371	69	3.0%	2,454	83	3.5%	2,523	69	2.8%	2,594	71	2.8%	71	3.0%
One Bedroom Bayberry Courtyard Home	2,575	2,650	75	2.9%	2,730	80	3.0%	2,826	96	3.5%	2,905	79	2.8%	2,986	81	2.8%	82	3.0%
Two Bedroom Bayberry Courtyard Home	2,737	2,816	79	2.9%	2,900	84	3.0%	3,002	102	3.5%	3,086	84	2.8%	3,172	86	2.8%	87	3.0%
Two Bedroom House less than 1400 sf																		
Residents prior to 1/1/01 (no meals)	2,404	2,474	70	2.9%	2,548	74	3.0%	2,637	89	3.5%	2,711	74	2.8%	2,787	76	2.8%	77	3.0%
Residents after 1/1/2001	2,749	2,829	80	2.9%	2,914	85	3.0%	3,016	102	3.5%	3,100	84	2.8%	3,187	87	2.8%	88	3.0%
Two Bedroom House 1400 sf to 1599 sf)																		
Residents prior to 1/1/01 (no meals)	2,631	2,707	76	2.9%	2,788	81	3.0%	2,886	98	3.5%	2,967	81	2.8%	3,050	83	2.8%	84	3.0%
Residents after 1/1/2001	2,944	3,029	85	2.9%	3,120	91	3.0%	3,229	109	3.5%	3,319	90	2.8%	3,412	93	2.8%	94	3.0%
Two Bedroom House 1600 sf to 1799 sf)																		
Residents prior to 1/1/01 (no meals)	2,982	3,068	86	2.9%	3,160	92	3.0%	3,271	111	3.5%	3,363	92	2.8%	3,457	94	2.8%	95	3.0%
Residents after 1/1/2001	3,297	3,393	96	2.9%	3,495	102	3.0%	3,617	122	3.5%	3,718	101	2.8%	3,822	104	2.8%	105	3.0%
Two Bedroom House 1800 sf to 1999 sf)																		
Residents prior to 1/1/01 (no meals)	3,365	3,463	98	2.9%	3,567	104	3.0%	3,692	125	3.5%	3,795	103	2.8%	3,901	106	2.8%	107	3.0%
Residents after 1/1/2001	3,680	3,787	107	2.9%	3,901	114	3.0%	4,038	137	3.5%	4,151	113	2.8%	4,267	116	2.8%	117	3.0%
Two Bedroom House 2000 sf to 2199 sf)																		
Residents prior to 1/1/01 (no meals)	3,577	3,681	104	2.9%	3,791	110	3.0%	3,924	133	3.5%	4,034	110	2.8%	4,147	113	2.8%	114	3.0%
Residents after 1/1/2001	3,892	4,005	113	2.9%	4,125	120	3.0%	4,269	144	3.5%	4,389	120	2.8%	4,512	123	2.8%	124	3.0%
Two Bedroom House over 2200 sf																		
Residents prior to 1/1/01 (no meals)	3,915	4,029	114	2.9%	4,150	121	3.0%	4,295	145	3.5%	4,415	120	2.8%	4,539	124	2.8%	125	3.0%
Residents after 1/1/2001	4,230	4,353	123	2.9%	4,484	131	3.0%	4,641	157	3.5%	4,771	130	2.8%	4,905	134	2.8%	135	3.0%
Stockton Apartment - 991 sf	2,369	2,438	69	2.9%	2,511	73	3.0%	2,599	88	3.5%	2,672	73	2.8%	2,747	75	2.8%	76	3.0%
Stockton Apartment - 1,160 sf	2,622	2,698	76	2.9%	2,779	81	3.0%	2,876	97	3.5%	2,957	81	2.8%	3,040	83	2.8%	84	3.0%
Stockton Apartment - 1,217 sf	2,785	2,866	81	2.9%	2,952	86	3.0%	3,055	103	3.5%	3,141	86	2.8%	3,229	88	2.8%	89	3.0%
Stockton Apartment - 1,397 sf	2,954	3,040	86	2.9%	3,131	91	3.0%	3,241	110	3.5%	3,332	91	2.8%	3,425	93	2.8%	94	3.0%
Stockton Apartment - 1,500 sf	3,123	3,214	91	2.9%	3,310	96	3.0%	3,426	116	3.5%	3,522	96	2.8%	3,621	99	2.8%	100	3.0%
Stockton Apartment - 1,592 sf	3,375	3,473	98	2.9%	3,577	104	3.0%	3,702	125	3.5%	3,806	104	2.8%	3,913	107	2.8%	108	3.0%
Stockton Apartment - 1,602 sf	3,414	3,513	99	2.9%	3,618	105	3.0%	3,745	127	3.5%	3,850	105	2.8%	3,958	108	2.8%	109	3.0%
Stockton Apartment - 1,728 sf	3,632	3,737	105	2.9%	3,849	112	3.0%	3,984	135	3.5%	4,096	112	2.8%	4,211	115	2.8%	116	3.0%
Stockton Apartment - 1,982 sf	3,771	3,880	109	2.9%	3,996	116	3.0%	4,136	140	3.5%	4,252	116	2.8%	4,371	119	2.8%	120	3.0%
Assisted Living-Studio	184	191	7	3.8%	199	8	4.2%	203	4	2.0%	207	4	2.0%	213	6	2.9%	6	3.0%
Assisted Living-one Bedroom	214	222	8	3.7%	231	9	4.1%	236	5	2.2%	241	5	2.1%	248	7	2.9%	7	3.0%
Assisted Living - MemoryCare Unit	292	303	11	3.8%	318	15	5.0%	318	0	0.0%	318	0	0.0%	318	0	0.0%	5	1.7%
Skilled - Private	292	303	11	3.8%	318	15	5.0%	331	13	4.1%	341	10	3.0%	351	10	2.9%	12	3.8%

**NOTE:** The above rates are based upon one person occupancy in all residential type units. Our overall rate structure also provides for two-person occupancy in all types of independent living residential units. The rate structure also provides for meals for those pre 1/1/2001 residents in Houses if the resident elects that option. Rates for post 1/1/2001/residents in houses and all Stockton Apartment residents include \$343 worth of meals per month. All rates shown are monthly rates except Skilled Nursing and Assisted Living rates which are daily rates. All rates are adjusted annually and are effective January 1st of each respective year. No rates have been adjusted other than annually for any year presented.

## **Arbor Acres**

### **The Advantage Program**

Arbor Acres offers a Residency option to those who may not want to physically reside on our campus. This program is called "The Advantage Program." The Resident can continue to live in his/her current home but have access to Arbor Acres' Assisted Living, Skilled Nursing and other health care programs. The Advantage Program is offered to residents of Forsyth County, NC and surrounding counties in convenient proximity to Arbor Acres.

This residency status allows one to become a Resident of Arbor Acres with access to the campus amenities, and ensures access to future health care services as needed, while remaining in his/her current home and retaining his/her position on our waiting list for a potential future move to our campus at a later date. Residents who join The Advantage Program may also move into Arbor Acres if they so choose. Once one becomes a Resident of Arbor Acres, whether living on campus or through the Advantage Program, he/she has equal access to all common areas of campus, equal standing as members of the Residents Association and equal access to Arbor Acres' health care facilities.

## **POLICIES**

### Admission

*Health Criteria:* To be accepted as a resident, the applicant's health must be such that the applicant's care requirements are appropriate to, and can be met within the level of care to which the person is requesting admission. A person applying for admission to The Advantage Program is considered an independent living resident and must be ambulatory, mentally alert, and able to meet his/her personal care needs without assistance or supervision. The agreement entered into between Arbor Acres and resident states that at the time of the execution of the agreement, Arbor Acres has determined that the resident qualified for residency at Arbor Acres both with respect to the resident's mental and physical condition and the resident's ability to take care of anticipated fees and charges. The agreement also provides that it will be necessary for the resident to meet the Arbor Acres health and financial qualifications for residency at the time he/she becomes a physical resident of the facility, subject to the understanding that if at that time the person is not mentally or physically qualified to occupy a residential unit of the type contemplated under the agreement, but is qualified to live in an Adult Care Home (Assisted Living) unit or in the Health Center (Skilled Nursing) of Arbor Acres, he/she will be entitled to such accommodations in the facility most appropriate to his/her situation and needs. Once admitted to Arbor Acres, a resident, from the standpoint of health, may continue to reside at Arbor Acres so long as the facilities and services available can, in the opinion of the facility's medical advisers, provide the level of care needed by the resident. As a resident's needs for care increases, the resident may be required to move to a higher level of care provided by Arbor Acres in order to continue the right of residency at the facility.

*Financial and Insurance Criteria:* To be accepted as a resident of The Advantage Program and in order for residency to continue, an applicant must agree to pay the entrance fee and monthly fees

and charges associated with The Advantage Program. Arbor Acres requires applicants to provide a financial statement. Applicants with inadequate financial resources to carry them through their projected life expectancy are nevertheless considered for admission if family members provide guaranties of payment or if the applicant qualifies for financial assistance within the limit of Arbor Acres' ability to provide such assistance. Residents whose resources are depleted during residency may remain as residents under the following circumstances: If members of resident's family or other interested parties provide guaranties of payment acceptable to Arbor Acres; or if the Arbor Acres' financial assistance resources are such as to enable the facility to provide the amounts needed. Residents whose financial resources are diverted to other persons or causes, thereby creating a financial need, are not eligible for consideration for financial assistance.

At present Arbor Acres has no insurance criteria affecting admissions. Applicants whose resources are marginal or inadequate to cover their projected residency fees may be encouraged to consider purchase of long-term care insurance as a method of increasing available income once the applicant becomes a resident of a licensed level of care.

*Age Requirements:* One must be 62 years of age to become a resident of The Advantage Program. In the case of a married couple, if one spouse is 62, the minimum age for the other spouse is 60.

*Changes of Condition of Resident Prior to Occupancy/Refund(s)Applicable/Not Applicable/Time Frame of Refund(s):* If between the date of entering into a residency agreement such as The Advantage Program and the date of initial occupancy on campus, an applicant's financial condition changes affecting the applicant's ability to pay expenses associated with residency, the applicant is required to submit a new financial statement. Improvement in the applicant's financial position may alter previous commitments by Arbor Acres to provide financial assistance. A decline in the applicant's capacity to pay the previously agreed upon periodic fees and charges may require reassessment of the applicant's ability to reside at Arbor Acres and whether Arbor Acres is in a position to provide financial assistance. If the applicant is unable to move into Arbor Acres for any reason, the applicant is entitled to an entrance fee refund to the extent of and in accordance with the provisions of the agreement.

*Cancellation/Termination - Refund(s) Applicable/Not Applicable/Time Frame of Refund(s):* Pursuant to the statute, the party (applicant) contracting with the provider (Arbor Acres) may rescind the contract within thirty (30) days following the later of the execution of the contract or the receipt of a disclosure statement. A resident may terminate residency upon thirty (30) days written notice. Arbor Acres may terminate one's residency if:

1. Resident does not pay monthly fees and other charges on a timely basis;
2. Resident's behavior (or that of resident's family members, responsible parties, or others specified in the residency agreement) is detrimental to the spirit of Arbor Acres; or
3. Resident requires treatment or care other than that which Arbor Acres is licensed or staffed to provide.

Termination of residency by Arbor Acres occurs only "as a last resort," when it becomes clear that termination is necessary, and after the resident and/or the resident's responsible party has an



opportunity to be heard. On termination of residency any monthly fees paid in advance are prorated and any appropriate refund is made thereof within sixty (60) days. Provisions relating to entrance fee refunds upon termination of residency are set out in residency agreements. Subject to the statutory refund provisions which apply in the event of rescission of the agreement within thirty (30) days or preclusion, by death, illness, injury, or incapacity, from occupying a unit under the terms of the agreement, then the entrance fee is refundable on a declining basis of two percent (2%) per month for fifty (50) months, with no part of the entrance fee being refundable after a person has participated in The Advantage Program with Arbor Acres for fifty (50) or more months. The calculation and payment of any refund to a person who has become a resident is made in the same manner whether termination of residency is voluntary, is at the request of Arbor Acres, or is occasioned by death.

1. If a resident dies while a participant in The Advantage Program or 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. Arbor Acres will refund entrance fees paid, as stated in the residency agreement. The refund will be provided within thirty (30) days of receipt by Arbor Acres of all billable costs incurred by the resident.
2. In the event of the death of a resident as a participant of The Advantage Program, Arbor Acres will refund the entrance fee, less the \$1,000 non-refundable portion as stated in the residency agreement, and under the prorated refund policy of 2% per month for fifty (50) months, with no part of the entrance fee being refundable after fifty (50) or more months or residency. Upon receiving payment of an entrance fee in The Advantage Program, Arbor Acres will refund to the resident or the resident's estate.
3. In the event of a resident vacating a unit due to moving to a higher level of care, then no refund of the entrance fees paid will be provided unless that move occurs within ninety (90) days of the resident's physical move-in date, as provided by the stated refund policy.
4. Entrance fees paid to Arbor Acres under The Advantage Program will be counted toward any future entrance fee payable to Arbor Acres for a residence should the Advantage Program participant elect to move into the physical campus.

*Inability to Pay:* If a resident should encounter financial difficulty while participating in The Advantage Program with Arbor Acres, there are guaranty agreements between Arbor Acres and members of a resident's family which make possible the resident's continued participation in the program.

## **SERVICES**

### Standard Services Available:

Services provided by Arbor Acres while participating in The Advantage Program are addressed in resident agreements. An overview of the benefits is listed below:

1. An annual health and wellness assessment.
2. Access to recreational, educational, cultural and spiritual life programs.
3. Limited in-patient temporary care in Arbor Acres skilled nursing facility. Arbor Acres Nursing and Continuing Care staff will assist with admission to and discharge from Arbor Acres' licensed facilities, including skilled nursing and assisted living. Residents pay the standard per diem for residency beginning on the day of admission.( This does not appear in this document
4. Arbor Acres fitness center – complete access to our fitness center, consultation with our wellness staff, a variety of exercise and wellness classes and development of a personal health and fitness plan.
5. Arbor Acres dining and catering facilities – No monthly fee required. Each member pays only for any food purchased.
6. Nursing consultation in our onsite medical clinic – At no additional charge, residents may visit the Clinic as needed and receive support and guidance over the phone as well.
7. Support and guidance during a health care crisis. Arbor Acres Continuing Care staff is available when needed for consultation and assistance with navigating the broader health care system.
8. Coordination of and access to Licensed Home Care services in the resident's home. Residents pay prevailing rates for these services.

## **FEES**

### Application/Registration Fee - Refundable/Non-Refundable

Arbor Acres' application fee is \$100.00; it is non-refundable.

### Entrance Fees

The Advantage Program entrance fee is \$12,500 per resident. On the day of execution of The Advantage Program Residency Agreement, \$1,000 of the single residency fee becomes nonrefundable. The balance amortizes at a rate of 2% per month until the total amount paid becomes fully nonrefundable. The entire amount of the entrance fee paid may be applied to the amount of any future entrance fee payable to Arbor Acres in the event The Advantage Program resident elects to physically move to Arbor Acres campus.

### Monthly Fees

The monthly fee per resident is \$400.00. This covers costs associated with utilization of programs, services, facilities and amenities, support staff and dining. It does not include the cost of any meals.

## **FINANCIAL INFORMATION**

### Financial Overview Statement

Arbor Acres has relied upon gifts, pledges and bequests, and upon funds received from entrance fees to cover most of the cost of construction, equipment, land improvements, other extraordinary expenses, debt amortization and accumulation of reserve funds. Secondly, Arbor Acres generally relies upon periodic fees and charges from residents to support the cash requirements for operations.

On June 10, 2010 Arbor Acres obtained a tax-exempt bond issue (series 2010 Bonds) in the form of a Bank Qualified loan to be withdrawn as needed up to \$28,875,000. The Bank Qualified loan was issued for the purpose of new construction of 8,500 square feet, 12-bed addition to Arborview (Dementia Care) and for new construction of an 117,000 square feet Assisted Living Building to contain 72 beds, new kitchen and dining areas, a new Physical Therapy space and a new Community Life space for programming. The series 2010 Bonds consist of variable rate tax exempt bonds, with a fixed interest rate swap at 3.333% per annum. Principal and interest is payable monthly with a final maturity date of January 1, 2038.

In June, 2015, Arbor Acres entered into a construction loan agreement with a commercial bank to provide financing for the renovation of the skilled nursing facility, Strickland Place at Fitzgerald. In 2019 the construction loan was refinanced and an additional \$1,000,000 was drawn to finance construction of a new bistro dining space in independent living. The 2019 Bank Loan consists of a \$8,450,000 taxable loan amortized over 15 years with a maturity date of September 15, 2034. Interest is payable monthly at a variable rate of 1.15% over the 30 day LIBOR, and reset monthly with a fixed rate swap with a rate of 2.865%. Principal and interest are payable monthly.

In December 2016, \$13,159,000 of North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Refunding Bonds (Arbor Acres Methodist Retirement Community) Series 2016 (the "Series 2016 Bonds") were issued to refund the outstanding North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Refunding Bonds (Arbor Acres Methodist Retirement Community) Series 2007 (the "Series 2007 Bonds"). The Series 2016 Bonds consist of variable rate tax-exempt bonds, with a fixed interest rate swap at 2.914% per annum. Principal and interest on the Series 2016 Bonds is payable monthly with a final maturity of January 1, 2031.

As required by G.S. 58-64-30, a comparison of Actual Results with Forecasted Projections as of December 31, 2019 follows the financial section of this Disclosure Statement.

### Reserves, Escrow and Trusts

As of the end of 2020, Arbor Acres had unrestricted cash and investments of \$29,721,117, investments funding operating reserves of \$7,400,000, and restricted cash and investments for purposes other than financial assistance of \$713,000. The restricted investment includes a \$500,000 endowment, the income from which helps support the operating expense of a

swimming pool and spendable restricted funds to support a number of smaller ongoing projects on campus.

The facility expects to have a reserve requirement of \$7,598,500 based on the 2021 Forecast. The building of these reserves will continue in future years and will be accomplished primarily through the receipt of entrance fees, contributions, and bequests from wills and trusts. These projections show the achievement of an increasing operating reserve fund (projected at \$10,609,250 at December 31, 2025) which will enable Arbor Acres to maintain the reserve requirements of G.S. 58-64-33 during the period of this forecast. The achievement of this reserve requirement is predicated upon Arbor Acres being subject to the 25% reserve requirement based upon the facility's anticipated occupancy of units exceeding 90%. The facility's occupancy is projected to be approximately 94-96% for existing independent living units and 94% for new independent living units after stabilization during this five-year period.

In addition to the investments discussed above, Arbor Acres had \$18,081,965 of financial assistance funds in place at the end of 2020. Of that amount, \$17,788,956 constituted the Assistance Endowment Fund; the balance constituted funds available for assistance to residents. These are funds which are used to provide charitable assistance to residents who otherwise would not be able to afford residency at Arbor Acres.

Investments of funds are currently managed by an investment advisor, Alex Brown, a division of Raymond James. These funds are invested in separate accounts each consisting of a variety of funds including US equities, International equities, Fixed income bond funds, a Real Estate Fund with UBS and an alternative fund. Investment fund accounts specifically for Assistance Endowment resources are segregated from non-financial assistance amounts. Future investment strategies will depend upon future investment opportunities and market conditions. One fund account includes the operating reserve fund. Investment strategies will be reviewed continuously, and as the amount of money available for long-term investment changes, the diversity of investment vehicles utilized by the facility is likely to change.

Overall policies and decisions relative to the magnitude of reserve funds and the investment of reserve funds and financial assistance funds are under the direction of the Investment Committee of the Board of Directors. In 2015, Arbor Acres engaged Alex Brown, a division of Raymond James, to act as its Investment Manager. As the Investment Manager, Alex Brown has the authority to exercise security trades as established by the Investment Policy parameters. Within the parameters of these policies, specific investment decisions may be authorized by any two of the persons holding the positions of Chair, Vice Chair, Treasurer, Chief Financial Officer (provided one of the two is Treasurer or Chief Financial Officer). All of the above positions are held by board members with the exception of the Chief Financial Officer. David W. Matthews, Chief Financial Officer, is the only individual in the direct employment of Arbor Acres who is included in this investment decision authorization. Mr. Matthews holds a Bachelor of Science degree in Accounting from The University of North Carolina at Charlotte (1995). Mr. Matthews is a Certified Public Accountant licensed in North Carolina (1999). His experience includes 17 years in public accounting, serving as a Senior Manager with a national accounting firm and seven years working in the hospitality and senior living industries as Controller and CFO.

An Escrow Agreement has been established for administering entrance fee receipts to the extent and as required by applicable statutes. A copy of the Escrow Agreement follows the financial section of this Disclosure Statement.

#### Facility Development/Expansion

The Board of Directors in 2019 approved a Core Facilities renovation plan that calls for independent living expansion and replacements of aging structures.

Arbor Acres is planning an Independent Living expansion on its current campus located at 1240 Arbor Road, Winston-Salem, NC. The expansion involves the addition of two hybrid villa apartment buildings adding a total of 56 new units at completion. The project is expected to feature connectivity to the existing independent living common areas, including dining venues and meeting spaces. The apartment buildings are planned to include covered parking on the ground floor with apartments above, with unit sizes ranging from 1575 to 1935 square feet. Construction material is anticipated to be steel and concrete. Amenities will include indoor and outdoor gathering areas and each building will have two elevators. Arbor Acres has engaged SFCS Architects to produce all architectural plans and drawings related to the project. Arbor Acres plans to start construction in July 2021, with a planned completion in early 2023.

Arbor Acres continues to invest in its facilities to improve their appearance, functionality, and marketability. Occasionally, older houses that prove difficult or too costly to renovate are removed and replaced with new construction. Likewise, aging apartment buildings are constantly under renovation in order to improve the livability and marketability of smaller residential offerings. The eventual renovation and/or replacement of these aging structures remains part of the strategic master facilities plan, though no specific plans are in place to advance these initiatives in the foreseeable future.

#### Completion of Annual Disclosure Statement Filing Supplement

An Annual Disclosure Statement Filing Supplement was completed and included with Arbor Acres' 2021 disclosure filing to the North Carolina Department of Insurance.

#### **OTHER MATERIAL INFORMATION, AS APPLICABLE**

Arbor Acres is not the subject of any existing bankruptcy filing, receivership, liquidation or the like. The facility has historically been exempt from property taxes and remains exempt under current statute which bases the degree of exemption upon the amount of charity care and community benefit provided by the facility.

#### **ATTACHMENT I**

##### Current Audited Financial Statements

Arbor Acres operates on a fiscal year which coincides with the calendar year and the financial records of the facility have been audited annually. Arbor Acres selected Dixon Hughes Goodman,

PLLC, as its independent auditor for fiscal year beginning January 1, 2004 and anticipates continuing this relationship through at least 2021. Audited figures for 2020 are included in the financial section of this Disclosure Statement.

## **ATTACHMENT 2**

### Five Year Projection Statements

Five year projections are included in the financial section of the Disclosure Statement.

## **ATTACHMENT 3**

### Escrow Agreement

An Escrow Agreement has been established for administering entrance fee receipts to the extent and as required by applicable statutes.

## **ATTACHMENT 4**

### Resident's Agreements/Contracts

Copies of standard resident agreements for each type of unit available in the facility are inserted in the back of the Disclosure Statement and were filed with the Disclosure Statement submitted annually to the North Carolina Department of Insurance.

## STATEMENT OF RELATIONSHIP

THIS STATEMENT OF RELATIONSHIP is made and effective as of the day of August 28, 2018 by and between the Western North Carolina Annual Conference of the United Methodist Church (the "Conference") and Arbor Acres United Methodist Retirement Community, Inc., a nonprofit corporation organized and existing under the laws of the State of North Carolina (the "Affiliated Organization").

### PRELIMINARY STATEMENT

The Conference is one of the annual conferences of The United Methodist Church. The term "The United Methodist Church" refers to the overall denomination and connectional relation and identity between its many local churches, the various conferences and their respective councils, boards and agencies, and other church units, which collectively constitute the religious system known as United Methodism. Under the Constitution and disciplinary procedures set forth in *The Book of Discipline of The United Methodist Church* (the "*Discipline*"), "The United Methodist Church" as a denominational whole is not an entity, nor does it possess legal capacities and attributes. It does not and cannot hold title to property, nor does it have any officer, agent, employee, office or location. Conferences, councils, boards, agencies, local churches and other units bearing the name "United Methodist" are, for the most part, legal entities capable of suing and being sued and possessed of legal capacities.

The connectional structure of the Church is maintained through the conferences. Each of the Annual Conferences (of which the Conference is one) is composed of an equal number of ministers and lay members elected by the local churches. In turn, there is one General Conference, composed of an equal number of ministers and lay members elected by the Annual Conferences. The *Discipline* is the book of law of the Church. The *Discipline* is the product of more than 200 years of the General Conferences of the denominations which now form the Church. Each General Conference amends, perfects, clarifies, and adds its own contribution to the *Discipline*. The *Discipline* reflects what is expected of its laity and clergy as they seek to be effective witnesses in the world as a part of the whole Body of Christ. (See paragraph 114 of the 1992 *Discipline*). The relationship set forth in this Statement of Relationship is solely and exclusively between the Conference and the Affiliated Organization.

United Methodists give high priority to helping and healing ministries as a vital part of their Christian mission. In the United State alone, there are hundreds of helping and healing programs related to local churches, and there are also hundreds of institutional ministries of which the Affiliated Organization is one. United Methodists recognize the importance of operating, maintaining and protecting those institutional ministries as a vital means of carrying out the Christian mission of United Methodism. The health and welfare ministries embraced within this mission include services in the areas of child care, aging, health care and handicapping conditions.

United Methodists, the Conference and the various institutional ministries share a common interest that health and welfare ministries bearing the name United Methodist shall be demonstrably caring, quality missions of Christian service that operate in a manner consistent with the Social Principles and other pertinent provisions of the *Discipline*.

The Affiliated Organization is one of the health and welfare ministries of United Methodism within the boundaries of and affiliated with the Conference. The Affiliated organization was organized with the encouragement and approval of the Conference by individuals members of the Church who were committed to the belief that the Affiliated Organization was needed to perform the ministry set forth in its charter (the "Ministry"). The Conference and the Affiliated Organization continue in that belief. The Ministry is among the Christian missions of United Methodism and of the Conference.

The purpose of this Statement of Relationship is to set forth an accurate statement of the relationship between the Conference and the Affiliated Organization.

NOW, THEREFORE, the Conference covenants and agrees with the Affiliated Organization and the Affiliated Organization covenants and agrees with the Conference that this Statement of Relationship, including the foregoing Preliminary Statement, is an accurate statement of the relationship between the Conference and the Affiliated Organization.

#### COVENANTS

1. Although the Conference and the Affiliated Organization share a common interest in carrying out the Christian mission of United Methodism and in the purposes of the Ministry of the Affiliated Organization, the Conference and the Affiliated Organization are separate, self-governing and independent. Neither is owned by the other nor is either the partner or agent of the other. The sole purpose of each of the parties in affiliating with the other as herein set out is that each believes this affiliation with the other is mutually beneficial to parties in the performance of their respective missions of Christian service. The parties hereto agree that under this affiliation:

- a) The members of the governing board of the Affiliated Organization shall be confirmed, elected and/or selected by the Conference, subject to the articles of incorporation and bylaws, present and future, as amended from time to time, of the Affiliated Organization. The governing board of the Affiliated Organization includes among its members both United Methodist ministers and laity within the Conference, and may include other persons as provided in its charter or bylaws.
- b) The Conference provides: (i) encouragement and support, including financial support to the extent deemed appropriate and feasible by the Conference; (ii) opportunities for the interchange of information and ideas among persons and institutions performing similar work and for the development of the Ministry goals and criteria; (iii) authorization for the Affiliated Organization to identify itself as an organization affiliated with the Conference; and (iv) an opportunity for the Affiliated Organization to report on the Ministry to each regular session of the Conference.
- c) The Affiliated Organization undertakes: (1) to fulfill its mission of Christian service in a manner that is consistent with the Social Principles and other pertinent provisions of the *Discipline*, and acceptable to those whom it would serve and to members of the Church in the Conference; and (ii) to the extent it deems appropriate, to utilize services of the Conference and the Church available to the Affiliated Organization in performing its Ministry.



d) The Affiliated Organization, desirous of gaining maximum benefit from its affiliation with the Conference and to satisfy the Conference that it continues to operate in a manner worthy of a United Methodist ministry, will continue to provide to the Conference such of the following as may be requested or desired by the Conference: (i) information that may be of interest to other similar ministries; (ii) copies of regular operational and financial reports; and (iii) other information regarding plans, services and ministries of the Affiliated Organization.

2. The Conference is not contractually or legally committed to provide any particular level or amount of financial support to the Affiliated Organization. Any support that the Conference does or may provide to the Affiliated Organization is, and shall be, voluntary, as determined, from time to time, solely by the Conference. The Conference has no authority to require the Affiliated Organization to assume any contractual, financial or other obligation; nor may the Conference accept or assume any such obligation in the name of the Affiliated Organization. Similarly, the Affiliated Organization has no authority to accept or assume any such obligation in the name of the Conference. Both agree that the Conference shall have no obligation or responsibility for or with respect to any contract, commitment or liability of the Affiliated Organization.

3. Church-wide solicitations (that is, solicitations addressed to the general membership of a local church) within or through local United Methodist churches of the Conference are not to be made by the Affiliated Organization except as heretofore or hereafter approved by the Conference or the resident bishop. Other solicitations, such as solicitations of individuals and entities, whether or not church members or church-related, are matters between the Affiliated Organization and the parties solicited and do not require the approval of the Conference.

4. If the affiliation between the Conference and the Affiliated Organization should at any time become unacceptable to them, or to one of them, they or either of them may sever the affiliation between them and thereafter operate entirely independently of the other. If action to sever the relationship is taken by one party only, that party shall give prompt written notice of the severance of the relationship to the other party.

5. In the event of the dissolution of the Affiliated Organization, its assets may be conveyed to the Conference or as otherwise provided in the articles of incorporation, as amended from time to time, of the Affiliated Organization.

6. This Statement of Relationship shall be subject to review and amendment at such times and in such manner as may be mutually agreeable to the Conference and the Affiliated Organization.

*[Signature Page Follows]*

IN WITNESS WHEREOF, each of the parties hereto has caused this Statement of Relationship to be executed in its name on the date set opposite its name below.

CONFERENCE:

WESTERN NORTH CAROLINA ANNUAL  
CONFERENCE OF THE UNITED METHODIST  
CHURCH

By: 

Name: Dr. R. Mark King

Title: Treasurer, Western North Carolina

Conference of The United Methodist Church

AFFILIATED ORGANIZATION:

ARBOR ACRES UNITED METHODIST  
RETIREMENT COMMUNITY, INC.

By: 

Name: Andrew W. Applegate

Title: President/CEO



# **Arbor Acres United Methodist Retirement Community, Inc. and Affiliate**

## **Consolidated Financial Statements**

**Years Ended December 31, 2020 and 2019**



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## Independent Auditors' Report

Board of Directors

Arbor Acres United Methodist Retirement Community, Inc. and Affiliate  
Winston-Salem, NC

We have audited the accompanying consolidated financial statements of Arbor Acres United Methodist Retirement Community, Inc. and Affiliate (collectively, the "Company"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

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

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

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

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



***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental schedules listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements for the year ended December 31, 2020. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Dixon Hughes Goodman LLP*

Charlotte, NC  
April 14, 2021

Arbor Acres United Methodist Retirement Community, Inc. and Affiliate  
Consolidated Balance Sheets  
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,574,579	\$ 3,289,587
Investments	18,746,538	14,154,736
Accounts receivable	798,196	638,870
Current portion of unconditional promises to give, net	-	30,560
Prepaid expenses	360,402	376,378
Current portion of assets limited as to use	<u>82,147</u>	<u>91,343</u>
Total current assets	<u>23,561,862</u>	<u>18,581,474</u>
Non-current assets:		
Assets limited as to use:		
Board designated for:		
Assistance endowment	6,720,732	6,348,200
Capital projects	2,520,013	2,520,013
Donor restricted for:		
Resident assistance	292,909	71,609
Assistance endowment	11,068,224	9,362,006
Other specific purposes	713,000	742,033
Operating reserve requirement	7,400,000	7,281,500
Bond trustee	<u>82,147</u>	<u>91,343</u>
Total assets limited as to use	<u>28,797,025</u>	<u>26,416,704</u>
Less: current portion	<u>(82,147)</u>	<u>(91,343)</u>
Total assets limited as to use, less current portion	<u>28,714,878</u>	<u>26,325,361</u>
Beneficial interest in perpetual trusts	1,449,495	1,344,661
Other long-term assets	121,063	121,063
Interest rate swap asset	-	25,689
Property and equipment, net	<u>86,632,859</u>	<u>89,275,332</u>
Total non-current assets	<u>116,918,295</u>	<u>117,092,106</u>
Total assets	<u>\$ 140,480,157</u>	<u>\$ 135,673,580</u>

(continued)

Arbor Acres United Methodist Retirement Community, Inc. and Affiliate  
 Consolidated Balance Sheets  
 December 31, 2020 and 2019

(continued)

	<u>2020</u>	<u>2019</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 1,428,557	\$ 1,104,043
Accrued expenses	1,277,796	1,111,570
Accrued interest payable	99,102	96,093
Estimated refundable entrance fees	326,290	379,540
Unearned grants	393,489	-
Current maturities of long-term debt	<u>2,009,000</u>	<u>1,922,000</u>
Total current liabilities	<u>5,534,234</u>	<u>4,613,246</u>
Long-term liabilities:		
Refundable deposits	110,640	54,360
Deferred revenue from entrance fees	32,815,790	32,626,558
Long-term debt, less current maturities	39,236,395	41,197,169
Liability for interest rate swaps	<u>5,349,599</u>	<u>2,507,538</u>
Total long-term liabilities	<u>77,512,424</u>	<u>76,385,625</u>
Total liabilities	<u>83,046,658</u>	<u>80,998,871</u>
Net assets:		
Without donor restrictions	43,909,871	43,123,840
With donor restrictions	<u>13,523,628</u>	<u>11,550,869</u>
Total net assets	<u>57,433,499</u>	<u>54,674,709</u>
Total liabilities and net assets	<u>\$ 140,480,157</u>	<u>\$ 135,673,580</u>



**Arbor Acres United Methodist Retirement Community, Inc. and Affiliate**  
**Consolidated Statements of Operations and Changes in Net Assets**  
**Years Ended December 31, 2020 and 2019**

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support:			
Contributions	\$ 447,096	\$ 2,283,433	\$ 2,730,529
Resident fees	27,470,175	-	27,470,175
Home Care revenue	1,122,936	-	1,122,936
Entrance fees earned	5,066,033	-	5,066,033
Investment income, net	653,513	194,402	847,915
Other	668,534	-	668,534
Net assets released from restrictions	1,395,362	(1,395,362)	-
Total revenue, gains, and other support	<u>36,823,649</u>	<u>1,082,473</u>	<u>37,906,122</u>
Expenses:			
Medical and personal care	7,784,638	-	7,784,638
Food service	5,224,553	-	5,224,553
Facility services	5,387,810	-	5,387,810
Utilities	1,335,960	-	1,335,960
Resident services	1,317,506	-	1,317,506
Administration	3,334,621	-	3,334,621
Human resources	541,637	-	541,637
Home Care expenses	1,040,499	-	1,040,499
Marketing and development	1,043,134	-	1,043,134
Depreciation	7,440,475	-	7,440,475
Interest	1,423,198	-	1,423,198
Total expenses	<u>35,874,031</u>	<u>-</u>	<u>35,874,031</u>
Operating income	949,618	1,082,473	2,032,091
Non-operating revenue (expenses):			
Loss on disposal of property	(245,034)	-	(245,034)
Net realized gain on investments	164,665	81,151	245,816
Unrealized loss from interest rate swaps	(2,867,750)	-	(2,867,750)
Change in value - perpetual trusts	-	104,834	104,834
Net unrealized gain on investments	<u>2,730,210</u>	<u>758,623</u>	<u>3,488,833</u>
Excess of revenues over expenses	731,709	2,027,081	2,758,790
Other changes in net assets:			
Net assets released from restrictions - capital	54,322	(54,322)	-
Change in net assets	786,031	1,972,759	2,758,790
Net assets, beginning of year	<u>43,123,840</u>	<u>11,550,869</u>	<u>54,674,709</u>
Net assets, end of year	<u>\$ 43,909,871</u>	<u>\$ 13,523,628</u>	<u>\$ 57,433,499</u>

(continued)

Arbor Acres United Methodist Retirement Community, Inc. and Affiliate  
Consolidated Statements of Operations and Changes in Net Assets  
Years Ended December 31, 2020 and 2019

(continued)

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support:			
Contributions	\$ 480,455	\$ 2,106,366	\$ 2,586,821
Resident fees	26,797,467	-	26,797,467
Home Care revenue	366,428	-	366,428
Entrance fees earned	5,548,279	-	5,548,279
Investment income, net	717,766	224,110	941,876
Other	126,925	-	126,925
Net assets released from restrictions	1,364,198	(1,364,198)	-
Total revenue, gains, and other support	<u>35,401,518</u>	<u>966,278</u>	<u>36,367,796</u>
Expenses:			
Medical and personal care	7,563,386	-	7,563,386
Food service	5,049,401	-	5,049,401
Facility services	5,369,550	-	5,369,550
Utilities	1,377,707	-	1,377,707
Resident services	1,386,260	-	1,386,260
Administration	3,170,530	-	3,170,530
Human resources	569,783	-	569,783
Home Care expenses	490,502	-	490,502
Marketing and development	903,896	-	903,896
Depreciation	7,191,588	-	7,191,588
Interest	1,505,592	-	1,505,592
Total expenses	<u>34,578,195</u>	<u>-</u>	<u>34,578,195</u>
Operating income	823,323	966,278	1,789,601
Non-operating revenue (expenses):			
Loss on extinguishment of debt	(42,191)	-	(42,191)
Loss on disposal of property	(731,488)	-	(731,488)
Net realized gain on investments	1,840,990	722,936	2,563,926
Unrealized loss from interest rate swaps	(1,912,369)	-	(1,912,369)
Change in value - perpetual trusts	-	143,071	143,071
Net unrealized gain on investments	<u>1,702,383</u>	<u>409,693</u>	<u>2,112,076</u>
Excess of revenues over expenses	1,680,648	2,241,978	3,922,626
Other changes in net assets:			
Net assets released from restrictions - capital	158,518	(158,518)	-
Change in net assets	1,839,166	2,083,460	3,922,626
Net assets, beginning of year	<u>41,284,674</u>	<u>9,467,409</u>	<u>50,752,083</u>
Net assets, end of year	<u>\$ 43,123,840</u>	<u>\$ 11,550,869</u>	<u>\$ 54,674,709</u>

See accompanying notes.

**Arbor Acres United Methodist Retirement Community, Inc. and Affiliate**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Operating activities:		
Change in net assets	\$ 2,758,790	\$ 3,922,626
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,440,475	7,191,588
Loss on disposal of property	245,034	731,488
Realized and unrealized gain on investments	(3,734,649)	(4,676,002)
Perpetual trusts contributions	-	(1,201,590)
Change in value perpetual trusts	(104,834)	(143,071)
Contributions restricted for long-term investment	(1,088,308)	(250,173)
Entrance fees and deposits received	5,592,488	6,872,546
Amortization of entrance fees	(5,066,033)	(5,548,279)
Amortization of deferred costs	47,949	48,720
Loss on extinguishment of debt	-	42,191
Unrealized loss on interest rate swaps	2,867,750	1,912,369
Changes in operating assets and liabilities:		
Accounts receivable	(159,326)	(296,499)
Prepaid expenses	15,976	(71,938)
Unconditional promises to give	30,560	235,533
Other long-term assets	-	(11)
Accounts payable	156,589	369,399
Accrued expenses	169,235	253,829
Refundable deposits	56,280	6,897
Unearned grants	393,489	-
Net cash provided by operating activities	<u>9,621,465</u>	<u>9,399,623</u>
Investing activities:		
Acquisition of property and equipment	(4,877,461)	(6,587,647)
Proceeds from disposal of property and equipment	2,350	-
Increase in investments	(857,153)	(530,490)
Increase in assets limited as to use	(2,380,321)	(1,710,401)
Net cash used by investing activities	<u>(8,112,585)</u>	<u>(8,828,538)</u>

(continued)

Arbor Acres United Methodist Retirement Community, Inc. and Affiliate  
 Consolidated Statements of Cash Flows  
 Years Ended December 31, 2020 and 2019

(continued)

	<u>2020</u>	<u>2019</u>
Financing activities:		
Proceeds from loan	\$ -	\$ 8,700,000
Payment for financing costs	-	(110,411)
Payment on long-term debt	(1,921,723)	(9,444,094)
Refunds of entrance fees and deposits	(390,473)	(287,698)
Contributions restricted for long-term investment	<u>1,088,308</u>	<u>250,173</u>
Net cash used by financing activities	<u>(1,223,888)</u>	<u>(892,030)</u>
Change in cash and cash equivalents	284,992	(320,945)
Cash and cash equivalents, beginning	<u>3,289,587</u>	<u>3,610,532</u>
Cash and cash equivalents, ending	<u>\$ 3,574,579</u>	<u>\$ 3,289,587</u>
Supplemental information:		
Interest paid	<u>\$ 1,372,240</u>	<u>\$ 1,401,467</u>
Unit customization fee, included in existing unit entrance fees and deposits	<u>\$ 279,364</u>	<u>\$ 601,141</u>
Non-cash activities:		
Purchase of property and equipment in accounts payable at year-end	<u>\$ 375,798</u>	<u>\$ 207,873</u>

## 1. Summary of Significant Accounting Policies

### **Organization**

Arbor Acres United Methodist Retirement Community, Inc. ("Arbor Acres") is a non-profit corporation that operates a continuing care retirement community in Winston-Salem, North Carolina, providing residential, personal, and medical care to its residents. Arbor Acres is accredited by the Commission on Accreditation of Rehabilitation Facilities—Continuing Care Accreditation Commission.

In November 2018, Arbor Acres became the parent corporation and sole member of Arbor Acres Home Care, LLC ("Home Care"). Home Care operations began during the year ended December 31, 2019.

### **Basis of accounting and presentation**

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

The Company classifies its net assets as net assets with or without donor restrictions:

- *Net assets without donor restrictions* – resources of the Company that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations, undesignated gifts, and the investment in property and equipment.
- *Net assets with donor restrictions* – resources that are subject to donor-imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those satisfied by the passage of time or actions of the Company. Other donor-imposed restrictions stipulate that donated assets be maintained in perpetuity, but may permit the Company to use or expend part or all of the income derived from the donated assets.

### **Principles of consolidation**

The consolidated financial statements include the accounts of Arbor Acres and Home Care (collectively, "the Company"). All material intercompany accounts and transactions have been eliminated in consolidation.

### **Cash and cash equivalents**

Cash and cash equivalents, excluding those classified as investments and assets whose use is limited, include cash in banks, cash on hand and investments in highly liquid debt instruments with an original maturity of three months or less when purchased. The Company maintains its cash in bank accounts which, at times, may exceed federally depository insurance (FDIC) limits. Management believes the credit risk associated with these deposits is minimal.

### **Investments**

Investments in mutual funds, exchange traded funds, and fixed income securities are measured at fair value based on quoted market prices. Investment in certain alternative investments are recorded at net asset value. Net investment gain (loss) is reported in the consolidated statement of operations and consists of interest and investment income, realized and unrealized gains and losses, less external investment expenses. See Note 3 for further discussion of fair value measurements.

**Arbor Acres United Methodist Retirement Community, Inc. and Affiliate**  
**Notes to Consolidated Financial Statements**

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Beneficial interests in perpetual trusts are recorded when the Company is notified of the trust's existence and the necessary information to measure the interest is available. The arrangement is recognized as a donor-restricted contribution to revenue and as an asset, measured at fair value. Annual distributions from the trust are reported as investment income. Unrealized gains and losses are included in the change in net assets on the consolidated statements of operations and change in net assets. See Note 4 for further discussion of charitable trust arrangements.

***Assets limited as to use***

Assets limited as to use primarily include assets designated by the Board of Directors for specific purposes, assets restricted by donors for future capital improvements and resident assistance, assets limited under state statute and assets limited under trust agreements for debt service.

North Carolina General Statute Chapter 58, Article 64, requires continuing care retirement communities to maintain an operating reserve equal to a statutorily required percentage of total forecasted operating costs (less certain expenses) for a specific period. This operating reserve is not Board-controlled and cannot be used without the prior approval of the commissioner of the North Carolina Department of Insurance pursuant to GS § 58-64-33(c). At December 31, 2020 and 2019, this reserve totaled \$7,400,000 and \$7,281,500, respectively.

Assistance endowment funds include donor restricted funds and amounts designated by the Board of Directors. The Company uses certain board designated net assets and the earnings from certain restricted net assets for assistance to residents.

***Fair value measurements***

Fair value as defined under GAAP is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used when measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company has adopted the provisions of the fair value option for financial assets and financial liabilities, which permit entities to choose to measure eligible items at fair value at specified election dates. The fair value option (i) may be applied instrument by instrument, with certain exceptions, (ii) is irrevocable (unless a new election date occurs) and (iii) is applied only to entire instruments and not to portions of instruments. The Company elected the fair value option for investments and assets limited as to use, and as such these securities are treated as trading securities. Unrealized gains or losses are reported within the performance indicator, excess of revenues over expenses.

***Accounts receivable***

Accounts receivable consists of resident accounts receivable, Medicare and other third party payers, and other miscellaneous receivable amounts. Accounts receivable are recorded at the amount management expects to collect.

**Arbor Acres United Methodist Retirement Community, Inc. and Affiliate**  
**Notes to Consolidated Financial Statements**

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***Property and equipment***

Property and equipment are stated at cost less accumulated depreciation. Donated property is recorded at its estimated fair value at the time of receipt. Interest on borrowings used to finance the facility is capitalized during construction. Depreciation is computed using the straight-line method based on the following estimated useful lives:

Land improvements	20 years
Buildings	10 to 40 years
Furniture and equipment	3 to 10 years

***Debt issuance costs***

Debt issuance costs include underwriter fees, feasibility studies, modification fees and other professional fees. Debt issuance costs have been recorded as a deduction against the related debt and are being amortized using the straight-line method over the lives of the various debt issues, which approximate amortization computed using the effective interest method.

***Refundable deposits***

Refundable deposits represent the portion of the payment of parking and golf cart fees that will be refunded to the resident when parking or golf carts fees are no longer required.

***Donor restrictions***

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of operations and changes in net assets as net assets released from restrictions.

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

***Interest rate swaps***

The Company utilizes interest rate swaps to manage the variability in interest rates on its variable rate debt. The Company accounts for its interest rate swaps under GAAP, which requires companies to recognize all derivative instruments as either assets or liabilities in the balance sheet at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of the foreign currency exposure of a net investment in a foreign operation. For derivative instruments not designated as hedging instruments, the changes in fair value are recognized in excess of revenue over expenses. The Company's interest rate swaps are not designated as a hedging instrument and the change in fair value is included in excess of revenue over expenses.

**Arbor Acres United Methodist Retirement Community, Inc. and Affiliate  
Notes to Consolidated Financial Statements**

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***Obligation to provide future services***

The Company annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred entrance fees. If this calculated value exceeds the deferred entrance fees, a liability is recorded, with a corresponding charge to income. The obligation is discounted at 5 percent based on management's estimate of interest earnings. At December 31, 2020 and 2019, the calculated value did not exceed the balance of deferred entrance fees; therefore, no liability for the obligation to provide future services is required to be recorded.

***Income taxes***

The Company is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Home Care is a limited liability company that has not elected to be taxed as a corporation under current Internal Revenue Code (IRC) regulations. Home Care is wholly owned by Arbor Acres. As such, Home Care is considered a disregarded entity under current IRC regulations.

Based on the information above, the accompanying consolidated financial statements do not reflect a provision or liability for federal and state income taxes. The Company has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2020.

***Deferred revenue from entrance fees***

Fees paid by a resident upon entering into a contract agreement are recorded as deferred revenue and amortized into income using the straight-line method over the estimated remaining life expectancy of the resident, adjusted on an annual basis. The non-refundable portion of the entrance fee that is considered an application fee is recognized as income when the resident moves in. Subject to certain exceptions, entrance fees are initially refundable, but become non-refundable at the rate of two percent per month until becoming fully non-refundable after 50 months. Upon receiving payment of an entrance fee from an acceptable substitute resident, the Company will refund to the resident, or to resident's estate, the applicable amount of refund owed. Total contractual refund obligations under existing contracts (that is if all residents with a refundable balance were to have withdrawn) are \$9,630,504 and \$10,891,700 at December 31, 2020 and 2019, respectively.

***Statement of operations and changes in net assets***

The consolidated statements of operations include excess of revenues over expenses. Changes in net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets). The Company considers excess of revenues over expenses to be its performance indicator.

***Methods used for allocation of expenses among programs and supporting services***

The Company has presented a schedule of expenses by both function and nature in Note 18. The Company allocates expenses on a functional basis among its various programs and supporting services. The schedule of expenses in Note 18 reports certain categories of expenses that are attributable to one or more program or supporting services of the retirement community. These expenses include food service, facilities service, and depreciation. Facilities service and depreciation are allocated based on square footage. Food service is allocated based on occupancy.

***Resident fees***

Resident fees represent the estimated net realizable amounts from residents, third-party payors, and others for services rendered as further described in Note 2.



**Arbor Acres United Methodist Retirement Community, Inc. and Affiliate**  
**Notes to Consolidated Financial Statements**

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***Financial assistance***

The Company currently maintains a financial assistance program and policy for residents holding continuing care residency agreements in the event the resident(s) should become unable to pay for services. The Company reserves the right to change the program and policy and does not guarantee future financial assistance. Since the Company does not expect to collect the normal charges for services provided for those residents who meet the financial assistance provisions, estimated charges for such assistance are not included in revenue. The cost of the charity care provided by the Company is based on financial assistance awarded to qualifying residents (Note 7), charges forgone under government and other third-party payer programs as well as charges that residents are unable to pay. The cost of providing charity care was approximately \$1,656,000 in 2020 and \$1,775,000 in 2019. The cost is discounted by the operating margin percentage (operating revenues less realized gains/losses on investments divided by operating expenses), which calculated to be -0.67 percent for 2020 and -0.75 percent for 2019. The Company uses both board restricted funds and net assets with donor restrictions that are temporary in nature to provide financial assistance. The Company receives contributions in three main ways: through annual fundraising efforts, annual requests of outreach ministries, and estate donations. Other services provided by the Company that were not reimbursed by other sources were approximately \$216,000 and \$123,000 in 2020 and 2019, respectively, for a total community benefit of \$1,872,000 and \$1,898,000, respectively.

***Use of estimates***

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

***Subsequent events***

Subsequent events have been evaluated through April 14, 2021, which is the date the consolidated financial statements were available to be issued.

**2. Revenue Recognition**

The Company generates revenues, primarily by providing housing and health services to its residents. The following streams of revenue are recognized as follows:

***Monthly service fees***

The contracts that residents select require an advanced fee and monthly fees based upon the type of accommodation they are applying for. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance. Payment terms are usually due within 30 days. The services provided encompass social, recreational, dining along with assisted living and nursing care and these performance obligations are earned each month. Under ASC Topic 606, management has determined that the performance obligation for the standing obligation to provide the appropriate level of care is the predominate component and does not contain a lease component under ASC Topic 840. Resident fee revenue for non-routine or additional services are billed monthly in arrears and recognized when the service is provided.

***Entrance fees***

The nonrefundable entrance fees are recognized as deferred revenue upon receipt of the payment and included in liabilities in the consolidated balance sheet until the performance obligations are satisfied. The refundable portion of an entrance fee is not considered part of the transaction price and as such is recorded as a liability in the consolidated balance sheet. Additionally, management has determined the contracts do not contain a significant financing component as the advanced payment assures residents the access to health care in the future. These deferred amounts are then amortized on a straight-line basis into revenue on a monthly basis over the life of the resident as

**Arbor Acres United Methodist Retirement Community, Inc. and Affiliate**  
**Notes to Consolidated Financial Statements**

the performance obligation is the material right associated with access to future services as described in FASB ASC 606-10-55 paragraph 42 and 51.

**Health care services**

In the facility, the Company provides assisted and nursing care to residents who are covered by government and commercial payers. The Community is paid fixed daily rates from government payers. The fixed daily rates and other fees are billed in arrears monthly. The monthly fees represent the most likely amount to be received from the 3rd party payors. Most rates are predetermined from Medicare.

Under ASC Topic 606, management has elected to utilize the portfolio approach in aggregating the revenues under these revenue streams.

	<b>December 31, 2020</b>				
	<u>Independent Living</u>	<u>Assisted Living</u>	<u>Skilled Nursing</u>	<u>Home Care</u>	<u>Total</u>
Private pay	\$ 11,044,956	\$ 8,213,001	\$ 7,964,941	\$ 1,122,936	\$ 28,345,834
Medicare	-	-	602,325	-	602,325
Total	<u>\$ 11,044,956</u>	<u>\$ 8,213,001</u>	<u>\$ 8,567,266</u>	<u>\$ 1,122,936</u>	<u>\$ 28,593,111</u>

	<b>December 31, 2019</b>				
	<u>Independent Living</u>	<u>Assisted Living</u>	<u>Skilled Nursing</u>	<u>Home Care</u>	<u>Total</u>
Private pay	\$ 10,864,640	\$ 7,630,369	\$ 7,875,618	\$ 366,428	\$ 26,737,055
Medicare	-	-	426,840	-	426,840
Total	<u>\$ 10,864,640</u>	<u>\$ 7,630,369</u>	<u>\$ 8,302,458</u>	<u>\$ 366,428</u>	<u>\$ 27,163,895</u>

**3. Fair Value of Financial Assets and Liabilities**

Prices for certain investments, such as mutual funds, exchange traded funds, and fixed income securities, are readily available in active markets in which those securities are traded thus the resulting fair values are categorized as Level 1. Prices for Level 2 assets and liabilities are determined on a recurring basis based on inputs readily available in public markets or can be derived from information available in publicly quoted markets. As further explained in Note 4, the Company has a beneficial interest in a perpetual trust. The value of this trust is disclosed as level 3 in the fair value table below in accordance with GAAP and is valued at the market price of the underlying investments.

The Company invests in certain investments for which quoted prices are not available in active markets for identical instruments. The Company utilizes the net asset value (NAV) provided by the administrator of the fund as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the fund will sell the investment for an amount different from the reported NAV. These investments are not required to be classified within a level on the fair value hierarchy.

There were no changes during the years ended December 31, 2020 and 2019 to the Company's valuation techniques used to measure asset and liability fair values on a recurring basis.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. The following table sets forth by level, within the fair value hierarchy, the Company's financial assets and liabilities accounted for at fair value on a recurring basis as of December 31, 2020 and 2019:

**Arbor Acres United Methodist Retirement Community, Inc. and Affiliate  
Notes to Consolidated Financial Statements**

	<b>Fair Value as of December 31, 2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investments:				
Mutual funds	\$ 27,830,844	\$ -	\$ -	\$ 27,830,844
Exchange traded funds	4,387,870	-	-	4,387,870
Fixed income securities	82,147	-	-	82,147
Stocks	6,548,280	-	-	6,548,280
REIT	53,478	-	-	53,478
Total investments in the fair value hierarchy	<u>\$ 38,902,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,902,619</u>
Investments at NAV (a)				<u>5,973,027</u>
Total investments at fair value				<u>\$ 44,875,646</u>
Beneficial interest in perpetual trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,449,495</u>	<u>\$ 1,449,495</u>
Interest rate swaps, net	<u>\$ -</u>	<u>\$ 5,349,599</u>	<u>\$ -</u>	<u>\$ 5,349,599</u>

	<b>Fair Value as of December 31, 2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investments:				
Mutual funds	\$ 22,540,909	\$ -	\$ -	\$ 22,540,909
Exchange traded funds	7,154,166	-	-	7,154,166
Fixed income securities	91,343	-	-	91,343
Stocks	3,870,904	-	-	3,870,904
Total investments in the fair value hierarchy	<u>\$ 33,657,322</u>	<u>\$ -</u>	<u>\$ -</u>	<u>33,657,322</u>
Investments at NAV (a)				<u>6,487,462</u>
Total investments at fair value				<u>\$ 40,144,784</u>
Beneficial interest in perpetual trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,344,661</u>	<u>\$ 1,344,661</u>
Interest rate swaps, net	<u>\$ -</u>	<u>\$ 2,481,849</u>	<u>\$ -</u>	<u>\$ 2,481,849</u>

(a) In accordance with Topic 820, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated balance sheets.

Mutual funds consist of the following at December 31, 2020: 24% intermediate-term bond, 23% multisector, 17% large growth, 12% small growth, 11% mid-cap value, and 13% other.

Mutual funds consist of the following at December 31, 2019: 28% intermediate-term bond, 23% large growth, 22% large value, 14% short-term bond, 11% mid-cap value, and 2% other.

The Company has \$2,667,917 and \$426,656 of cash and cash equivalents included in investments and assets limited as to use on the consolidated balance sheets at December 31, 2020 and 2019, respectively, which was not classified as a level as prescribed within the provision.

**Arbor Acres United Methodist Retirement Community, Inc. and Affiliate**  
**Notes to Consolidated Financial Statements**

The Company recognizes transfers between the levels as of the beginning of the reporting period. There were no gross transfers between the levels for the years ended December 31, 2020 and 2019.

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient as of December 31, 2020 and 2019:

	<u>Fair Value at December 31, 2020</u>	<u>Fair Value at December 31, 2019</u>	<u>Unfunded Commitments</u>	<u>Other Redemption Restrictions</u>	<u>Redemption Notice Period</u>
European Equity Fund	\$ 1,550,308	\$ 1,362,917	None	Monthly	30 days
Global Absolute Return Fund	\$ 1,240,010	\$ 1,219,655	None	Annually	90 days
Real Property Fund	\$ 3,182,709	\$ 3,364,765	None	Quarterly	60 days
Global Large Value Equity Fund	\$ -	\$ 540,125	None	Quarterly	60 days

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis classified as Level 3 during the years ended December 31, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 1,344,661	\$ -
Purchases	-	1,201,590
Unrealized gains	<u>104,834</u>	<u>143,071</u>
	<u>\$ 1,449,495</u>	<u>\$ 1,344,661</u>

#### **4. Charitable Trust Arrangements**

##### ***Charitable Remainder Trust***

A charitable remainder trust provides the payment of distributions to the donor or other designated beneficiaries over the income beneficiaries' lifetimes. At the end of the trust's terms, the remaining assets are available for the Company's use as specified by the donor.

A charitable remainder trust has named the Company the remainder beneficiary. The trust provides payments out of principal which prevents the ability to measure the interest. No asset is recorded in relation to the trust.

##### ***Perpetual Trusts***

During 2019, the Company received information that identified it is the beneficiary of perpetual trusts and subsequently recorded an asset for the beneficial interests and a corresponding donor-restricted contribution which is reflected on the consolidated statement of operations and changes in net assets. The Company will receive income distributions from the perpetual trusts but will not receive the assets of these trusts. Distributions from the trusts are unrestricted. The beneficial interest in these perpetual trusts, recorded as donor-restricted net assets, were \$1,449,495 and \$1,344,661 at December 31, 2020 and 2019, respectively.

Arbor Acres United Methodist Retirement Community, Inc. and Affiliate  
Notes to Consolidated Financial Statements

**5. Property and Equipment**

Property and equipment consists of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land and improvements	\$ 13,348,968	\$ 13,086,142
Buildings	136,123,934	132,808,489
Furniture and equipment	10,735,501	10,090,000
Construction in progress	<u>2,216,560</u>	<u>2,653,799</u>
	162,424,963	158,638,430
Accumulated depreciation	<u>(75,792,104)</u>	<u>(69,363,098)</u>
	<u>\$ 86,632,859</u>	<u>\$ 89,275,332</u>

**6. Long-Term Debt**

Long-term debt consists of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Taxable loan payable to a commercial bank, with a total available principal of \$8,450,000 at a variable rate of 1.15% plus the 30-day LIBOR (1.298% at December 31, 2020 and 2.942% at December 31, 2019); and reset monthly with a fixed interest rate swap with a rate of 2.865%, monthly principal payments of \$38,000 to \$57,000 due September 2034 (See Note 12); collateralized by real and personal property.	\$ 7,876,184	\$ 8,335,907
Series 2010 Health Care Facilities First Mortgage Revenue Bonds at variable rate of 79% of one month LIBOR plus 1.0854% in 2020 and 2019, and reset monthly with a fixed interest rate swap with a rate of 3.333% in 2020 and 2019 on the outstanding principal balance (See Note 12); monthly payments of \$50,000 to \$240,000 due January 1, 2038.	24,100,000	24,700,000
Series 2016 Health Care Facilities First Mortgage Revenue Bonds at variable rate of 79% of one month LIBOR plus 0.948% in 2020 and 2019, and reset monthly with a fixed interest rate swap with a rate of 2.914% in 2020 and 2019 on the outstanding principal balance (See Note 12); monthly payments of \$69,000 to \$92,000 due January 1, 2031.	<u>9,925,000</u>	<u>10,787,000</u>
	41,901,184	43,822,907
Current maturities	(2,009,000)	(1,922,000)
Bond issuance costs	<u>(655,789)</u>	<u>(703,738)</u>
	<u>\$ 39,236,395</u>	<u>\$ 41,197,169</u>

The Series 2010 and 2016 bonds bear interest payable monthly on the amount of bond proceeds outstanding. The bonds are secured by a pledge of future revenues and substantially all of the property and equipment of the Company. The trust indenture and loan agreements underlying the Series 2010 and Series 2016 bonds contain certain covenants and restrictions.

**Arbor Acres United Methodist Retirement Community, Inc. and Affiliate**  
**Notes to Consolidated Financial Statements**

In September 2019, the Company entered into a taxable loan in the amount of \$8,450,000 with a commercial bank to refinance a construction loan and finance renovations. The bank made available an interest rate swap for the purpose of hedging the variable interest rate risk. The loan and obligations arising under the swap agreement are secured by the Master Trust Indenture.

Annual principal maturities of long-term debt are as follows:

2021	\$ 2,009,000
2022	2,047,000
2023	2,143,000
2024	2,173,000
2025	2,276,000
Thereafter	<u>31,253,184</u>
	<u>\$ 41,901,184</u>

The Company has a revolving line of credit with a bank in the amount of \$3,000,000. Interest is payable monthly at a rate of one-month LIBOR index plus 1.25 percent and is secured by a deed of trust. There was no balance outstanding as of December 31, 2020 and 2019. The line of credit expires in December 2021.

**7. Net Assets with Donor Restrictions**

Net assets with donor restrictions that are temporary in nature consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assistance	\$ 2,702,018	\$ 1,862,808
Capital campaign	-	30,560
Other	<u>213,000</u>	<u>242,033</u>
	<u>\$ 2,915,018</u>	<u>\$ 2,135,401</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assistance	\$ 1,145,859	\$ 1,239,279
Other	<u>249,503</u>	<u>124,919</u>
Net assets released from restrictions—operating	1,395,362	1,364,198
Net assets released from restrictions—capital	<u>54,322</u>	<u>158,518</u>
	<u>\$ 1,449,684</u>	<u>\$ 1,522,716</u>

Net assets with donor restrictions that stipulate assets be held in perpetuity consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Assistance endowment	\$ 8,659,115	\$ 7,570,807
Swimming pool endowment	500,000	500,000
Beneficial interest in perpetual trusts	<u>1,449,495</u>	<u>1,344,661</u>
	<u>\$ 10,608,610</u>	<u>\$ 9,415,468</u>

## 8. Endowment Funds

The Company's endowment was organized to provide financial assistance to the residents of the Company in the event the resident(s) become unable to pay for services, and to help provide maintenance to the swimming pool. The Company's endowment funds include donor-restricted funds and board designated funds classified as net assets without restrictions. As required by generally accepted accounting principles in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

### *Interpretation of relevant law*

The Board of Directors of the Company has interpreted the North Carolina Uniform Prudent Management of Institutional Funds Act (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Company has classified as perpetually restricted net assets (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the amount is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetually restricted net assets is classified as with donor restrictions until those amounts are appropriated for expenditure by the Company in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Company considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. The investment policies of the Company

### *Return objectives and risk parameters*

The Company has adopted investment and spending policies for endowment assets that are intended to provide an ongoing stream of funding for financial assistance that is supported by the endowment. Endowment assets include assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce a high level of total investment return consistent with a prudent level of portfolio risk. The Company expects its endowment funds, over time, to provide an average rate of return of approximately 4.5 percent annually. Actual returns in any given year may vary from this amount.

### *Strategies employed for achieving objectives*

To satisfy its long-term rate-of-return objectives, the Company relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Company targets a diversified asset allocation that includes fixed income instruments and equity-based investments to achieve its long-term return objectives within prudent risk constraints. Investments are rebalanced quarterly in order to maintain the desired asset allocation mix.

**Arbor Acres United Methodist Retirement Community, Inc. and Affiliate  
Notes to Consolidated Financial Statements**

***Spending policy and how the investment objectives relate to the spending policy***

The Company's policy is to appropriate for distribution the accumulated income and appreciation up to 4.5 percent of the trailing three calendar year end average market balance. In establishing this policy, the Company considered the long-term expected return on its endowment. Accordingly, over the long term, the Company expects the current spending policy to allow its endowment to grow at an average of 4.5 percent annually. The exception to this policy would be that if the accumulated income and appreciation of the donor restricted endowment is less than 4.5 percent of the trailing three calendar year-end average market balance, the funds necessary to support the annual financial assistance would be taken from the board designated portion of the endowment fund. In this way, the principal of the donor restricted endowment is preserved. This is consistent with the Company objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets for the years ended December 31, 2020 and 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets December 31, 2018	\$ 5,637,639	\$ 8,772,595	\$ 14,410,234
Contributions	-	129,350	129,350
Investment earnings	141,719	201,597	343,316
Net appreciation	799,257	1,132,629	1,931,886
Appropriation of endowment assets for expenditure	<u>(230,415)</u>	<u>(374,165)</u>	<u>(604,580)</u>
Endowment net assets December 31, 2019	6,348,200	9,862,006	16,210,206
Contributions	-	1,088,308	1,088,308
Investment earnings	113,923	171,902	285,825
Net appreciation	539,229	839,774	1,379,003
Appropriation of endowment assets for expenditure	<u>(280,620)</u>	<u>(393,766)</u>	<u>(674,386)</u>
Endowment net assets December 31, 2020	<u>\$ 6,720,732</u>	<u>\$ 11,568,224</u>	<u>\$ 18,288,956</u>

**9. Employee Benefits**

The Company's employees may participate in the United Methodist Personal Investment Plan defined contribution retirement plans of the General Board of Pensions of The United Methodist Church. These plans cover all employees who elect to participate the first of the month following their employment, as determined at enrollment dates each month. Prior to May 1, 2020, following the first of the month after one year of employment, Arbor Acres conditionally contributes 6% of regular earnings for all eligible participating employees who contribute at least 3% of regular earnings to the plan. Effective May 1, 2020, Arbor Acres contributes a match equal to 200% of all contributions up to a maximum of 6 percent of regular earnings for all eligible participating employees. Home Care conditionally contributes a match equal to 200% of contributions up to a maximum of 6 percent of regular earnings for all eligible participating employees. Company contributions for the years ended December 31, 2020 and 2019 were approximately \$558,000 and \$475,000, respectively.



## 10. Professional Liability Coverage

The Company has an insurance policy 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 a claims-made basis. Should the Company not renew its claims-made policy, or replace it with equivalent insurance, occurrences incurred during its term but asserted after its expiration would be uninsured, unless the Company obtains tail coverage. No claims were outstanding at year-end and the Company has made no accrual for unasserted claims.

## 11. Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable and other assets approximate fair value. Investments, assets limited as to use, beneficial interests in trusts and the interest rate swaps are reported at fair value as of the date of the consolidated financial statements. See Note 3 for more information relating to the fair value of investments, assets limited as to use and the interest rate swaps.

The carrying amounts of accounts payable, accrued expenses, accrued interest payable and other accrued and long-term liabilities approximate fair value. The carrying amount of the 2010 series and 2016 series bonds and the taxable loan payable approximates fair value as they contain variable interest rates.

## 12. Interest Rate Swap Agreements

In prior years, the Company entered into interest rate swap agreements ("Swaps") secured by 2010 Series Bonds, 2016 Series Bonds, and a 2019 taxable loan. The original notional amounts are \$18,500,000, \$13,159,000, and \$8,450,000, respectively. The swaps expire on December 2037, January 2031, and September 2034, respectively. The Swaps fix the variable interest rates at 3.33%, 2.91%, and 2.87%, respectively.

The fair value of the Company's interest rate swaps are reported as a long-term asset or liability in the consolidated balance sheets. The change in fair value of the interest rate swaps are included in excess of revenues over expenses in the accompanying consolidated statements of operations and changes in net assets.

Absent an early termination, subsequent changes in the interest rate swaps will continue to be reflected in excess of revenues over expenses, which has no cash flow impact to the Company. The cash flow settlements of the interest rate swap agreements are reflected annually in interest expense as the Company pays interest to the swap counterparty at the rates noted above.

## 13. Health Insurance Plan

In 2019, the Company established a self-funded employee health insurance plan administered by a third party. The plan is funded by employee and employer contributions and is available to all full-time staff. The costs of the plan are comprised of expected net claims, insurance premiums to acquire specific stop loss coverage and claims administration fees. Claims in excess of the stop-loss limit of \$100,000 are funded by insurance coverage. The Company has estimated and recorded amounts for the self-insurance portion of this arrangement. Plan costs incurred by the Company were approximately \$2,006,000 and \$1,793,000 for the years ended December 31, 2020 and 2019, respectively. The estimate for claims incurred but not reported is approximately \$350,000 as of December 31, 2020 and 2019.

#### 14. Liquidity and Availability

As part of its liquidity management, the Company has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due. In addition, the Company invests cash in excess of daily operating funds in short-term investments such as treasury bills, certificates of deposit, and money market funds.

The following schedule reflects the Company's financial assets to meet cash needs for general expenses within one year. The financial assets were derived from the total assets on the consolidated balance sheets by excluding the assets that are unavailable for general expenses in the next 12 months. Board designated amounts for capital projects have been included in the schedule below as the board could release these funds for liquidity purposes if needed.

The Company also has the ability to draw down on a \$3,000,000 line of credit if needed (as discussed in Note 6).

The Company seeks to maintain sufficient liquid assets to cover 30 to 45 days of operating and capital expenses.

<b>Asset Categories</b>	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 3,574,579	\$ 3,289,587
Accounts receivable	874,734	638,870
Investments and assets limited as to use	47,543,563	40,571,440
Less: operating reserve	(7,400,000)	(7,281,500)
Less: board designated funds for assistance endowment	(6,720,732)	(6,348,200)
Less: bond trustee funds	(82,147)	(91,343)
Less: donor restricted funds for resident assistance, endowment and other purposes	<u>(12,074,133)</u>	<u>(10,175,648)</u>
	<u>\$ 25,715,864</u>	<u>\$ 20,603,206</u>

#### 15. Related Party Transactions

The Company utilized a construction company in which a board member's spouse is a key member of management. The Company received services in the amount of approximately \$346,000 and \$34,000 from the construction company in 2020 and 2019, respectively. Additionally, the Company owed approximately \$246,000 to the construction company as of December 31, 2020 which is included in accounts payable on the consolidated balance sheets.

#### 16. COVID-19

In March 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of the outbreak on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on employees and vendors, and governmental, regulatory and private sector responses. The accompanying consolidated financial statements do not reflect any adjustments as a result of the increase in economic uncertainty which continues through the issuance date.

## 17. Provider Relief Funds

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. One provision of the CARES Act was the establishment of the Provider Relief Fund (PRF), administered by the U.S. Department of Health and Human Services (HHS). The PRF is being distributed to healthcare providers throughout the country to support the battle against the COVID-19 outbreak. During the year ended December 31, 2020, the Company has received \$714,103 in distributions from this fund. These funds are intended to reimburse qualifying expenses and lost revenues attributable to COVID-19 and are subject to the terms, conditions, and regulatory requirements set forth by HHS. If the total distributions received by the Company exceed the cumulative amount of qualifying expenses and lost revenues attributable to COVID-19 through June 30, 2021, any excess funding may be subject to recoupment. The Company received an additional \$282,378 in COVID-19 related grants from other sources. The Provider Relief Funds and other grant money received are accounted for as voluntary nonexchange transactions and related revenues will be recognized as other operating revenue as eligibility criteria are met. In relation to Provider Relief Funds and other grants, the Company has recognized \$462,288 and \$140,705, respectively, as other operating revenue as of December 31, 2020.

In addition to the terms, conditions, and published regulatory guidance, HHS has published additional guidance related to the nature and allowability of certain qualifying expenses and methods for determining lost revenues attributable to COVID-19 through the publication of Frequently Asked Questions (FAQs). These HHS Provider Relief Fund FAQs have been subject to significant amendment and revision over the course of the program. Additional guidance from HHS and the U.S. Office of Management and Budget (OMB) may be forthcoming, but the nature and extent of such additional forthcoming guidance is uncertain. The Company relied on the available guidance in determining the amounts of qualifying expenses and lost revenues attributed to COVID-19 and the related recognition of revenue during fiscal year 2020. Such determinations required management to make subjective interpretations of the available guidance, and to make assumptions and exercise considerable judgment. Subsequent changes or clarifications in guidance from HHS and OMB could have a material impact on management's estimates and the determination of such amounts. The Provider Relief Funds are subject to audit by HHS which may result in disallowed expenditures which may be subject to recoupment. Such amounts, if any, cannot be determined at this time.

HHS released additional reporting requirements for health care entities that received distributions from the PRF. Also, the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 ("CRRSAA") was signed into law on December 27, 2020. CRRSAA provided on-going assistance to healthcare providers and provided additional clarity around PRF reporting requirements the Company does not believe the new guidance will result in a material change to amounts recorded in the December 31, 2020 consolidated financial statements related to the PRF. The Company will continue to monitor changes in reporting guidance or additional clarifications that may be issued by HHS, which would affect the accounting for distributions from the Provider Relief Fund.

**Arbor Acres United Methodist Retirement Community, Inc. and Affiliate**  
**Notes to Consolidated Financial Statements**

**18. Statement of Functional Expenses**

The following is a schedule of expenses by both function and nature for the year ended December 31, 2020:

	Program Services				Total	Administrative and General	Marketing and Fundraising	Total
	Independent	Assisted Living	Skilled Nursing	Home Care				
Salaries and benefits	\$ 4,232,794	\$ 4,606,925	\$ 5,836,020	\$ 968,809	\$ 15,644,538	\$ 2,318,538	\$ 683,380	\$ 18,646,456
Medical and personal care	237,269	145,600	788,406	71,686	1,242,961	-	-	1,242,961
Food services	886,062	437,211	370,812	-	1,693,075	-	-	1,693,075
Facilities services	1,368,405	360,823	402,840	-	2,131,877	14,364	-	2,146,241
Utilities	660,497	442,228	313,236	-	1,335,960	-	-	1,335,960
Administration	-	-	-	-	-	1,888,911	-	1,888,911
Marketing and development	-	-	-	-	-	-	369,754	369,754
Depreciation	4,968,090	1,638,799	780,037	-	7,386,926	53,549	-	7,440,475
Interest	318,196	669,308	248,695	-	1,423,199	-	-	1,423,199
Total expenses included in the expenses section on the consolidated statement of operations and changes in net assets	\$ 12,590,292	\$ 8,480,894	\$ 8,736,854	\$ 1,040,495	\$ 30,658,536	\$ 3,972,362	\$ 1,043,134	\$ 35,674,031

The following is a schedule of expenses by both function and nature for the year ended December 31, 2019:

	Program Services				Total	Administrative and General	Marketing and Fundraising	Total
	Independent	Assisted Living	Skilled Nursing	Home Care				
Salaries and benefits	\$ 4,109,507	\$ 4,510,079	\$ 5,858,614	\$ 462,776	\$ 14,940,976	\$ 2,313,463	\$ 596,016	\$ 17,850,455
Medical and personal care	304,428	48,160	547,212	27,726	927,526	-	-	927,526
Food services	946,976	400,416	320,664	-	1,667,056	-	-	1,667,056
Facilities services	1,464,264	385,965	432,144	-	2,282,373	14,384	-	2,296,737
Utilities	591,712	463,045	332,950	-	1,377,707	-	-	1,377,707
Administration	-	-	-	-	-	1,453,654	-	1,453,654
Marketing and development	-	-	-	-	-	-	307,880	307,880
Depreciation	4,801,905	1,583,980	753,945	-	7,139,830	51,756	-	7,191,588
Interest	349,311	890,307	265,974	-	1,505,582	-	-	1,505,582
Unrealized loss from interest rate swaps expenses section on the consolidated statement of operations and changes in net assets	\$ 12,567,103	\$ 8,281,952	\$ 8,511,503	\$ 490,502	\$ 29,841,060	\$ 3,833,239	\$ 903,896	\$ 34,578,195



***Supplementary Information***

Arbor Acres United Methodist Retirement Community, Inc. and Affiliate  
Consolidating Balance Sheet  
December 31, 2020

ASSETS	Arbor Acres	Home Care	Eliminations	Total
<b>Current assets:</b>				
Cash and cash equivalents	\$ 2,895,134	\$ 679,445	\$ -	\$ 3,574,579
Investments	18,746,538	-	-	18,746,538
Accounts receivable	638,712	159,484	-	798,196
Prepaid expenses	360,402	-	-	360,402
Due from Home Care	905,295	-	(905,295)	-
Current portion of assets limited as to use	82,147	-	-	82,147
<b>Total current assets</b>	<b>23,628,228</b>	<b>838,929</b>	<b>(905,295)</b>	<b>23,561,862</b>
<b>Non-current assets:</b>				
<b>Assets limited as to use:</b>				
<b>Board designated for:</b>				
Assistance endowment	6,720,732	-	-	6,720,732
Capital projects	2,520,013	-	-	2,520,013
<b>Donor restricted for:</b>				
Resident assistance	292,909	-	-	292,909
Assistance endowment	11,068,224	-	-	11,068,224
Other specific purposes	713,000	-	-	713,000
Operating reserve requirement	7,400,000	-	-	7,400,000
Bond trustee	82,147	-	-	82,147
<b>Total assets limited as to use</b>	<b>28,797,025</b>	<b>-</b>	<b>-</b>	<b>28,797,025</b>
Less: current portion	(82,147)	-	-	(82,147)
<b>Total assets limited as to use, less current portion</b>	<b>28,714,878</b>	<b>-</b>	<b>-</b>	<b>28,714,878</b>
Beneficial interest in perpetual trusts	1,449,495	-	-	1,449,495
Investment in Home Care	111,946	-	(111,946)	-
Other long-term assets	9,117	111,946	-	121,063
Property and equipment, net	86,632,859	-	-	86,632,859
	<b>116,918,295</b>	<b>111,946</b>	<b>(111,946)</b>	<b>116,918,295</b>
<b>Total assets</b>	<b>\$ 140,546,523</b>	<b>\$ 950,875</b>	<b>\$ (1,017,241)</b>	<b>\$ 140,480,157</b>

(continued)

Arbor Acres United Methodist Retirement Community, Inc. and Affiliate  
 Consolidating Balance Sheet  
 December 31, 2020

(continued)

LIABILITIES AND NET ASSETS	Arbor Acres	Home Care	Eliminations	Total
<b>Current liabilities:</b>				
Accounts payable	\$ 1,406,742	\$ 21,815	\$ -	\$ 1,428,557
Accrued expenses	1,252,340	25,456	-	1,277,796
Accrued interest payable	99,102	-	-	99,102
Estimated refundable entrance fees	326,290	-	-	326,290
Due to Arbor Acres	-	905,295	(905,295)	-
Unearned grants	393,489	-	-	393,489
Current maturities of long-term debt	2,009,000	-	-	2,009,000
<b>Total current liabilities</b>	<b>5,486,963</b>	<b>952,566</b>	<b>(905,295)</b>	<b>5,534,234</b>
<b>Long-term liabilities:</b>				
Refundable deposits	110,640	-	-	110,640
Deferred revenue from entrance fees	32,815,790	-	-	32,815,790
Long-term debt, less current maturities	39,236,395	-	-	39,236,395
Liability for interest rate swaps	5,349,599	-	-	5,349,599
<b>Total long-term liabilities</b>	<b>77,512,424</b>	<b>-</b>	<b>-</b>	<b>77,512,424</b>
<b>Total liabilities</b>	<b>82,999,387</b>	<b>952,566</b>	<b>(905,295)</b>	<b>83,046,658</b>
<b>Net assets:</b>				
Without donor restrictions	44,023,508	(1,691)	(111,946)	43,909,871
With donor restrictions	13,523,628	-	-	13,523,628
<b>Total net assets</b>	<b>57,547,136</b>	<b>(1,691)</b>	<b>(111,946)</b>	<b>57,433,499</b>
<b>Total liabilities and net assets</b>	<b>\$ 140,546,523</b>	<b>\$ 950,875</b>	<b>\$ (1,017,241)</b>	<b>\$ 140,480,157</b>

Arbor Acres United Methodist Retirement Community, Inc. and Affiliate  
Consolidating Statement of Operations - Without Donor Restriction  
Year Ended December 31, 2020

	Arbor Acres	Home Care	Eliminations	Consolidated Total
Revenue, gains, and other support:				
Contributions	\$ 447,096	\$ -	\$ -	\$ 447,096
Resident fees	27,470,175	-	-	27,470,175
Home Care revenue	-	1,122,936	-	1,122,936
Entrance fees earned	5,066,033	-	-	5,066,033
Investment income, net	653,513	-	-	653,513
Other	704,534	-	(36,000)	668,534
Net assets released from restrictions	1,395,362	-	-	1,395,362
<b>Total revenue, gains, and other support</b>	<b>35,736,713</b>	<b>1,122,936</b>	<b>(36,000)</b>	<b>36,823,649</b>
Expenses:				
Medical and personal care	7,784,638	-	-	7,784,638
Food service	5,224,553	-	-	5,224,553
Facility services	5,387,810	-	-	5,387,810
Utilities	1,335,960	-	-	1,335,960
Resident services	1,317,506	-	-	1,317,506
Administration	3,334,621	-	-	3,334,621
Human resources	541,637	-	-	541,637
Home Care expenses	-	1,076,499	(36,000)	1,040,499
Marketing and development	1,043,134	-	-	1,043,134
Depreciation	7,440,475	-	-	7,440,475
Interest	1,423,198	-	-	1,423,198
<b>Total expenses</b>	<b>34,833,532</b>	<b>1,076,499</b>	<b>(36,000)</b>	<b>35,874,031</b>
Operating income	903,181	46,437	-	949,618
Non-operating revenue (expenses):				
Loss on disposal of property	(245,034)	-	-	(245,034)
Net realized gain on investments	164,665	-	-	164,665
Unrealized loss from interest rate swaps	(2,867,750)	-	-	(2,867,750)
Net unrealized gain on investments	2,730,210	-	-	2,730,210
<b>Excess (deficit) of revenues over expenses</b>	<b>\$ 685,272</b>	<b>\$ 46,437</b>	<b>\$ -</b>	<b>\$ 731,709</b>



**Arbor Acres United Methodist Retirement Community, Inc.**  
**Consolidated Balance Sheets**  
**For the Month Ended March 31, 2021 and 2020**

<b>ASSETS</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>2021</b>	<b>2020</b>
Current Assets:		
Cash and cash equivalents	\$ 5,992,834	\$ 4,133,871
Investments	19,354,363	11,570,633
Accounts receivable, net	580,993	625,924
Current portion of campaign pledges receivable	-	30,060
Prepaid expenses	277,852	185,517
Total Current Assets	26,206,042	16,546,005
Non-current assets:		
Assets limited as to use:		
Board designated for:		
Assistance endowment	6,738,066	5,518,558
Capital projects	2,520,013	2,520,013
Donor restricted for:		
Resident assistance	246,424	-
Assistance endowment	11,114,271	8,197,912
Other specific purposes	742,046	743,426
State operating reserve requirement	7,400,000	7,281,500
Total assets limited as to use	28,760,820	24,261,409
Beneficial interest in perpetual trusts	1,449,495	1,344,661
Other long-term assets	121,063	121,063
Property and equipment, net	85,884,769	88,571,603
Total non-current assets	116,216,147	114,298,736
<b>TOTAL ASSETS</b>	<b>\$ 142,422,189</b>	<b>\$ 130,844,741</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 1,143,124	\$ 1,246,165
Accrued expenses	1,568,498	1,407,446
Deferred revenue	218,211	-
Current maturities of long-term debt	2,009,000	1,922,000
Estimated refundable entrance fees	326,290	379,540
Total current liabilities	5,265,123	4,955,151
Long-term liabilities:		
Refundable deposits	47,640	54,360
Deposits - unoccupied units	1,477,650	-
Deferred revenue from entrance fees	32,114,365	32,734,987
Long-term debt, less current maturities	40,185,356	40,609,063
Interest rate swap liability	2,870,996	6,447,257
Total long term liabilities	76,696,007	79,845,667
Total Liabilities	81,961,130	84,800,818
Net Assets		
Without donor restrictions	46,908,825	35,727,367
With donor restrictions	13,552,234	10,316,556
Total Net Assets	60,461,059	46,043,923
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 142,422,189</b>	<b>\$ 130,844,741</b>

**Arbor Acres United Methodist Retirement Community, Inc.**  
**Consolidated Statements of Operations and Changes in Net Assets**  
**For the Three Months Ended March 31, 2021 with Comparative Totals for 2020**

	2021 (Unaudited)			2020 (Unaudited)
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Revenue, gains and other support</b>				
Contributions	\$ 45,492	\$ 127,486	\$ 172,978	\$ 162,750
Resident fees	6,777,628	-	6,777,628	7,097,077
Continuing care services without lodging	56,529	-	56,529	44,933
Entrance fees earned	1,373,869	-	1,373,869	1,155,525
Home care fees	394,373	-	394,373	173,653
Investment income	123,853	33,491	157,344	162,768
Other revenue	18,475	-	18,475	42,932
Cares act revenue recognition	251,815	-	251,815	-
Net assets released from restrictions	223,473	(223,473)	-	-
<b>Total revenue, gains and other support</b>	<b>9,265,507</b>	<b>(62,496)</b>	<b>9,203,011</b>	<b>8,839,638</b>
<b>Expenses</b>				
Medical and personal care	2,188,724	-	2,188,724	1,811,773
Food service	1,283,914	-	1,283,914	1,267,896
Facility services	1,100,047	-	1,100,047	1,356,173
Utilities	306,428	-	306,428	320,558
Resident services	309,802	-	309,802	337,496
Administration	961,296	-	961,296	891,407
Human resources	195,016	-	195,016	92,658
Marketing & development	209,170	-	209,170	226,323
Continuing care services without lodging	-	-	-	-
Home care services	341,270	-	341,270	180,568
Depreciation	1,900,198	-	1,900,198	1,834,199
Interest expense	334,284	-	334,284	359,606
<b>Total expenses</b>	<b>9,130,149</b>	<b>-</b>	<b>9,130,149</b>	<b>8,678,657</b>
<b>Operating income (loss)</b>	<b>135,358</b>	<b>(62,496)</b>	<b>72,862</b>	<b>160,981</b>
<b>Non-operating revenue (expenses):</b>				
Gain (loss) on disposal of property	(20,563)	-	(20,563)	(16,997)
Loss on extinguishment of debt and refinance	-	-	-	-
Net realized gain (loss) on investments	521,546	290,919	812,465	(513,535)
Unrealized gain (loss) from interest rate swap	2,478,603	-	2,478,603	(3,965,408)
Change in value - perpetual trusts	-	-	-	-
Net unrealized gain (loss) on investments	(115,983)	(199,817)	(315,800)	(4,295,826)
<b>Excess (deficit) of revenues over expenses</b>	<b>2,998,961</b>	<b>28,606</b>	<b>3,027,567</b>	<b>(8,630,785)</b>
<b>Other changes in net assets:</b>				
Net assets released from restrictions - capital	-	-	-	-
<b>Change in net assets</b>	<b>2,998,961</b>	<b>28,606</b>	<b>3,027,567</b>	<b>(8,630,785)</b>
<b>Net assets, beginning</b>	<b>43,909,864</b>	<b>13,523,628</b>	<b>57,433,492</b>	<b>54,674,708</b>
<b>Net assets, ending</b>	<b>\$ 46,908,825</b>	<b>\$ 13,552,234</b>	<b>\$ 60,461,059</b>	<b>\$ 46,043,923</b>

**Arbor Acres United Methodist Retirement Community, Inc.**  
**Consolidated Statements of Cash Flows**  
**For the Three Months Ended March 31, 2021 and 2020**

	(Unaudited) 2021	(Unaudited) 2020
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 3,027,567	\$ (8,630,785)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,900,198	1,834,199
Loss on disposal of assets	20,563	16,997
Realized & unrealized (gain) loss on investments	(496,665)	4,809,360
Contributions restricted for long-term investment	(31,767)	(7,316)
Entrance fees received	939,539	1,307,680
Change in deferred revenue	(251,815)	-
Amortization of entrance fees	(1,373,869)	(1,155,525)
Amortization of deferred costs	11,986	11,986
Unrealized (gain) loss on interest rate swap	(2,478,603)	3,965,408
Change in operating assets and liabilities		
Accounts receivable	293,741	12,947
Campaign receivables	-	500
Prepaid expenses and deposits	80,914	190,580
Accounts payable	(285,440)	142,120
Accrued expenses	191,599	199,784
<b>Net cash provided by operating activities</b>	<b>1,547,948</b>	<b>2,697,935</b>
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(1,172,671)	(1,147,966)
(Increase) decrease in assets limited as to use	36,206	2,155,296
Purchase of investments, net	(111,160)	(2,225,258)
Proceeds from disposal of property and equipment	-	500
<b>Net cash used in investing activities</b>	<b>(1,247,625)</b>	<b>(1,217,428)</b>
<b>Cash flows from financing activities</b>		
Borrowings on construction loan	1,493,418	-
Proceeds from deposits - unoccupied units	1,414,650	-
Payments for long-term debt	(556,443)	(600,092)
Entrance fee refunds	(267,095)	(43,726)
Contributions restricted for long-term investment	31,768	7,316
<b>Net cash provided by (used in) financing activities</b>	<b>2,116,298</b>	<b>(636,502)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>2,416,621</b>	<b>844,005</b>
<b>Beginning balance, cash and cash equivalents</b>	<b>3,576,213</b>	<b>3,289,866</b>
<b>Ending balance, cash and cash equivalents</b>	<b>\$ 5,992,834</b>	<b>\$ 4,133,871</b>

**ARBOR ACRES UNITED METHODIST  
RETIREMENT COMMUNITY, INC. AND  
AFFILIATE**

Compilation of a Consolidated Financial  
Projection

For Each of the Five Years Ending  
December 31, 2025

(With Independent Accountants'  
Compilation Report thereon)

**ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC.  
AND AFFILIATE**

Compilation of a Consolidated Financial Projection

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### Independent Accountants' Compilation Report

Board of Directors  
Arbor Acres United Methodist Retirement Community, Inc. and Affiliate  
Winston-Salem, North Carolina

Management of Arbor Acres United Methodist Retirement Community, Inc. (the "Corporation") and Arbor Acres Home Care, LLC (the "Affiliate") is responsible for the accompanying projected consolidated balance sheets, related statements of operations and changes in net assets and statement of cash flows as of and for each of the five years ending December 31, 2025, and the related summaries of significant assumptions and rationale in accordance with guidelines for the presentation of a financial projection established by the American Institute of Certified Public Accountants ("AICPA").

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

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the consolidated financial projection nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management of the Corporation and the Affiliate. Accordingly, we do not express an opinion, a conclusion, or provide any form of assurance on this consolidated financial projection.

Furthermore, even if the following hypothetical assumptions occur during the projection period:

- The new independent living units are successfully marketed and occupied at assumed occupancy levels and that adequate demand for services exists to support the assumed utilization;
- Construction, development, marketing and other related costs for the project occur in the assumed timeline and at assumed costs; and,
- The Corporation finances the expansion project at the rates and terms assumed.

There will usually be differences between the projected 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.

*Dixon Hughes Goodman LLP*

Atlanta, Georgia  
May 25, 2021

**ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC.  
AND AFFILIATE**

Projected Consolidated Statements of Operations  
For Each of the Five Years Ending December 31,  
(in thousands of dollars)

	2021	2022	2023	2024	2025
<b>Revenues:</b>					
Independent living resident fees	\$ 10,781	\$ 10,993	\$ 13,088	\$ 15,051	\$ 15,513
Healthcare resident fees	18,861	19,430	20,013	20,613	21,232
Advantage program fees	218	319	456	525	540
Home care revenues	1,455	1,499	1,544	1,590	1,638
Entrance fees earned	5,200	5,200	6,264	7,369	7,410
Financial assistance	(1,675)	(1,750)	(1,848)	(1,950)	(1,999)
Contributions	262	262	262	262	262
Investment income	745	1,537	1,599	1,943	2,221
Other	143	146	159	172	177
Net assets released from restriction - operating	861	861	861	861	861
<b>Total revenues, gains, and other support</b>	<b>36,851</b>	<b>38,497</b>	<b>42,398</b>	<b>46,436</b>	<b>47,855</b>
<b>Expenses:</b>					
Medical and personal care	\$ 7,772	\$ 8,022	\$ 8,263	\$ 8,511	\$ 8,766
Food service	5,542	5,696	5,969	6,238	6,425
Housekeeping	2,081	2,141	2,372	2,469	2,543
Laundry	272	280	289	299	308
Maintenance	2,336	2,402	2,575	2,684	2,764
Properties development	696	716	740	766	788
Utilities	1,462	1,493	1,803	1,857	1,913
Resident services	1,518	1,566	1,618	1,671	1,722
Advantage program	-	80	83	85	88
Home care	1,487	1,486	1,530	1,576	1,624
Administration	3,840	4,058	4,177	4,299	4,425
Human resources	629	649	669	689	709
Marketing and development	945	975	1,004	1,035	1,066
Depreciation	7,750	8,004	9,626	9,914	10,220
Interest	1,355	1,339	2,965	2,708	2,437
<b>Total expenses</b>	<b>37,685</b>	<b>38,907</b>	<b>43,683</b>	<b>44,801</b>	<b>45,798</b>
Operating income	\$ (834)	\$ (410)	\$ (1,285)	\$ 1,635	\$ 2,057
Loss on disposal of property	(400)	(400)	(400)	(400)	(400)
<b>Change in net assets without donor restrictions</b>	<b>\$ (1,234)</b>	<b>\$ (810)</b>	<b>\$ (1,685)</b>	<b>\$ 1,235</b>	<b>\$ 1,657</b>

See accompanying Independent Accountants' Compilation Report and  
Summary of Significant Projection Assumptions and Rationale

**ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC.  
AND AFFILIATE**

Projected Consolidated Statements of Changes in Net Assets  
For Each of the Five Years Ending December 31,  
(in thousands of dollars)

	2021	2022	2023	2024	2025
<b>Net assets without donor restrictions:</b>					
Operating income	\$ (834)	\$ (410)	\$ (1,285)	\$ 1,635	\$ 2,057
Loss on disposal of property	(400)	(400)	(400)	(400)	(400)
Change in net assets without donor restrictions	(1,234)	(810)	(1,685)	1,235	1,657
<b>Net assets with donor restrictions:</b>					
Contributions - financial assistance	861	861	861	861	861
Contributions - endowment	150	150	150	150	150
Net assets released from restriction - operating	(861)	(861)	(861)	(861)	(861)
Change in net assets with donor restrictions	150	150	150	150	150
Change in net assets	(1,084)	(660)	(1,535)	1,385	1,807
Net assets, beginning of year	57,433	56,349	55,689	54,154	55,539
Net assets, end of year	\$ 56,349	\$ 55,689	\$ 54,154	\$ 55,539	\$ 57,346

See accompanying Independent Accountants' Compilation Report and  
Summary of Significant Projection Assumptions and Rationale



**ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC.  
AND AFFILIATE**

Projected Consolidated Statements of Cash Flows  
For Each of the Five Years Ending December 31,  
(in thousands of dollars)

	2021	2022	2023	2024	2025
<b>Cash flows from operating activities:</b>					
Change in net assets	\$ (1,084)	\$ (660)	\$ (1,535)	\$ 1,385	\$ 1,807
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation	7,750	8,004	9,626	9,914	10,220
Loss on disposal of property	400	400	400	400	400
Entrance fees and deposits received	6,603	8,327	9,031	9,405	10,146
Amortization of entrance fees	(5,200)	(5,200)	(6,264)	(7,369)	(7,410)
Amortization of deferred costs	63	79	79	79	79
Changes in operating assets & liabilities:					
Receivables	314	(13)	(46)	(42)	(17)
Prepaid expenses & deposits	(91)	(14)	(24)	(17)	(15)
Accounts payable	93	48	81	58	51
Accrued expenses	(101)	38	62	45	40
Accrued interest	(16)	14	15	15	18
Unearned Grants	(393)	-	-	-	-
<b>Net cash provided by operating activities</b>	<b>8,338</b>	<b>11,023</b>	<b>11,425</b>	<b>13,873</b>	<b>15,319</b>
<b>Cash flows from investing activities:</b>					
Acquisition of property and equipment - Project	(17,414)	(34,827)	-	-	-
Interest cost capitalized during construction	(125)	(1,122)	-	-	-
Ongoing capital additions	(6,242)	(6,242)	(6,242)	(6,242)	(6,242)
Increase in investments	(96)	(2,366)	(19,011)	1,422	983
Change in assets limited as to use	(282)	(402)	(952)	(353)	(337)
<b>Net cash used in investing activities</b>	<b>(24,159)</b>	<b>(44,959)</b>	<b>(26,205)</b>	<b>(5,173)</b>	<b>(5,596)</b>
<b>Cash flows from financing activities:</b>					
Proceeds received from 2021 Bank Loans	18,451	36,549	-	-	-
Increase in financing costs	(612)	-	-	-	-
Decrease in bonds payable - Series 2010 Bonds	(660)	(660)	(720)	(720)	(775)
Decrease in bonds payable - Series 2016 Bonds	(876)	(900)	(922)	(937)	(970)
Decrease in loan payable - 2019 Bank Loan	(473)	(487)	(501)	(516)	(531)
Decrease in loan payable - 2021 Bank Loans	-	-	(5,762)	(6,286)	(6,286)
Refunds of entrance fees	(458)	(467)	(769)	(1,037)	(1,056)
Entrance fees received on new Independent Living Units	-	-	23,621	915	-
<b>Net cash provided by (used in) financing activities</b>	<b>15,372</b>	<b>34,035</b>	<b>14,947</b>	<b>(8,581)</b>	<b>(9,618)</b>
Change in cash and cash equivalents	(449)	99	167	119	105
Cash and cash equivalents, beginning of year	3,575	3,126	3,225	3,392	3,511
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,126</b>	<b>\$ 3,225</b>	<b>\$ 3,392</b>	<b>\$ 3,511</b>	<b>\$ 3,616</b>

See accompanying Independent Accountants' Compilation Report and  
Summary of Significant Projection Assumptions and Rationale

**ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC.  
AND AFFILIATE**

Projected Consolidated Balance Sheets  
At December 31,  
(in thousands of dollars)

	2021	2022	2023	2024	2025
<b><u>Assets</u></b>					
Current assets:					
Cash and cash equivalents	\$ 3,126	\$ 3,225	\$ 3,392	\$ 3,511	\$ 3,616
Investments	18,843	21,209	40,220	38,798	37,815
Accounts receivable	484	497	543	585	602
Prepaid expenses	451	465	489	506	521
<b>Total current assets</b>	<b>22,904</b>	<b>25,396</b>	<b>44,644</b>	<b>43,400</b>	<b>42,554</b>
Non-current assets:					
Assets limited as to use:					
Board designated for:					
Assistance endowment	6,721	6,721	6,721	6,721	6,721
Capital projects	2,520	2,520	2,520	2,520	2,520
Donor restricted for:					
Resident assistance	293	293	293	293	293
Assistance endowment	11,218	11,368	11,518	11,668	11,818
Other specific purposes	713	713	713	713	713
Operating reserve requirement	7,614	7,866	8,668	8,871	9,058
Assets limited as to use	29,079	29,481	30,433	30,786	31,123
Donated property held for resale	121	121	121	121	121
Property and equipment, net	102,264	136,051	132,267	128,195	123,817
Beneficial interest in perpetual trusts	1,449	1,449	1,449	1,449	1,449
<b>Total non-current assets</b>	<b>132,913</b>	<b>167,102</b>	<b>164,270</b>	<b>160,551</b>	<b>156,510</b>
<b>Total assets</b>	<b>\$ 155,817</b>	<b>\$ 192,498</b>	<b>\$ 208,914</b>	<b>\$ 203,951</b>	<b>\$ 199,064</b>

See accompanying Independent Accountants' Compilation Report and  
Summary of Significant Projection Assumptions and Rationale

**ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC.  
AND AFFILIATE**

Projected Consolidated Balance Sheets (continued)  
At December 31,  
(in thousands of dollars)

	2021	2022	2023	2024	2025
<b><u>Liabilities and Net Assets</u></b>					
Current liabilities:					
Accounts payable	\$ 1,522	\$ 1,570	\$ 1,651	\$ 1,709	\$ 1,760
Accrued expenses	1,177	1,215	1,277	1,322	1,362
Accrued interest	83	97	112	127	145
Estimated refundable entrance fees	467	769	1,037	1,056	923
Current maturities of bonds payable - Series 2010 Bonds	660	720	720	775	780
Current maturities of bonds payable - Series 2016 Bonds	900	922	937	970	996
Current maturities of loan payable - 2019 Bank Loan	487	501	516	531	547
<b>Total current liabilities</b>	<b>5,296</b>	<b>5,794</b>	<b>6,250</b>	<b>6,490</b>	<b>6,513</b>
Long-term liabilities:					
Refundable deposits	111	111	111	111	111
Refundable entrance fees	8,705	7,936	6,899	5,843	4,920
Deferred revenue from entrance fees	24,915	28,042	54,430	57,381	60,117
Bonds payable, less current maturities - Series 2010 Bonds	22,780	22,060	21,340	20,565	19,785
Bonds payable, less current maturities - Series 2016 Bonds	8,149	7,227	6,290	5,320	4,324
Loan payable, less current maturities - 2019 Bank Loan	6,916	6,415	5,899	5,368	4,821
Loan payable - 2021 Bank Loans	18,451	55,000	49,238	42,952	36,666
Debt issuance costs	(1,205)	(1,126)	(1,047)	(968)	(889)
Interest rate swap liability	5,350	5,350	5,350	5,350	5,350
<b>Total long-term liabilities</b>	<b>94,172</b>	<b>131,015</b>	<b>148,510</b>	<b>141,922</b>	<b>135,205</b>
<b>Total liabilities</b>	<b>99,468</b>	<b>136,809</b>	<b>154,760</b>	<b>148,412</b>	<b>141,718</b>
Net assets:					
Without donor restrictions	42,676	41,866	40,181	41,416	43,073
With donor restrictions	13,673	13,823	13,973	14,123	14,273
<b>Total net assets</b>	<b>56,349</b>	<b>55,689</b>	<b>54,154</b>	<b>55,539</b>	<b>57,346</b>
<b>Total liabilities and net assets</b>	<b>\$ 155,817</b>	<b>\$ 192,498</b>	<b>\$ 208,914</b>	<b>\$ 203,951</b>	<b>\$ 199,064</b>

See accompanying Independent Accountants' Compilation Report and  
Summary of Significant Projection Assumptions and Rationale

**ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC.  
AND AFFILIATE**

**Summary of Significant Projection Assumptions and Rationale**

**Basis of Presentation**

The accompanying financial projection presents, to the best of the knowledge and belief of Arbor Acres United Methodist Retirement Community, Inc. (the "Corporation") the expected financial position, results of operations, and cash flows of the Corporation and Arbor Acres Home Care, LLC (the "Affiliate") of and for each of the five years ending December 31, 2025. Accordingly, the consolidated financial projection reflects management of the Corporation's ("Management") judgment as of May 25, 2021 the date of this projection, of the expected conditions and its expected course of action during the projection period.

The accompanying projection and this report were prepared to comply with the requirements of North Carolina General Statutes, Chapter 58, Article 64. Accordingly, this report should not be used for any other purpose. The prospective financial statements included in the projection have been prepared in accordance with the accounting principles generally accepted in the United States of America. Significant accounting policies are described in the appropriate assumptions and notes to the prospective financial statements. The assumptions described are not all-inclusive.

A hypothetical assumption is an assumption used in a financial projection to present a condition or course of action that is not necessarily expected to occur, but is consistent with the purpose of the presentation. Hypothetical assumptions are not derived from sources, which are based upon supporting documentation such as contracts, agreements, or other empirical data. Management has prepared its financial projection assuming the hypothetical assumption:

- The New Independent Living Units (defined later in this report) are successfully marketed and occupied at assumed occupancy levels and that adequate demand for services exists to support the assumed utilization;
- Construction, development, marketing and other related costs for the Project (defined later in this report) occur in the assumed timeline and at assumed costs; and,
- The 2021 Bank Loans (defined later in this report) is issued at the assumed terms and rates.

**Background of the Corporation**

The Corporation, incorporated in 1975, is a not-for-profit corporation under Internal Revenue Code Section 501(c)(3) and is, therefore, exempt from federal and state income taxes. The Corporation currently owns and operates a continuing care retirement community ("CCRC") known as Arbor Acres (the "Community") in Winston-Salem, North Carolina.

The Corporation was organized under the sponsorship of the Western North Carolina Annual Conference of the United Methodist Church (the "Conference"). The Conference is not responsible for the financial and contract obligations of the Corporation. The Community operates under the supervision of a volunteer Board of Directors (the "Board"), whose members are elected by the Board and approved by the Conference. The Board is responsible for the establishment of operational policy and consists of not less than 18 or more than 30 members. Board members are elected for a three-year term and are eligible for one additional successive three-year term. After serving six successive years, a Board member must be off the Board for one year before becoming eligible again.

## **Background of the Community**

The Community is located on approximately 82 acres in Winston-Salem, Forsyth County, North Carolina at 1240 Arbor Road and provides a continuum of residential accommodations that currently include 120 independent living apartments (the “Independent Living Apartments”), 138 independent living homes (the “Independent Living Homes”), 65 assisted living units (the “Assisted Living Units”), 30 assisted living memory care units (the “Memory Care Units”), and 83 skilled nursing beds (the “Nursing Beds”).

The Independent Living Apartments are located in three mid-rise residential buildings that also include the following support facilities: business offices, fellowship hall, recreational areas, dining room, bistro, beauty shop, several parlors, kitchen, housekeeping, laundry, and maintenance service areas. The Independent Living Apartments and the Independent Living Homes are collectively referred to as the “Existing Independent Living Units.”

In 2018 the Corporation added a membership program known as the “Advantage Program”, offered to prospective residents living in the surrounding area. Advantage Program members would be provided access to Community amenities and health care services while remaining in their current homes. The Affiliate was formed in 2018, which offers skilled nursing, sitter and home care aide services to residents of the Community in the comfort of the residents’ homes.

The following table summarizes the type, number, approximate square footage, monthly fees (“Monthly Fees”) and entrance fees (“Entrance Fees”) for the Existing Independent Living Units.

**Table 1**  
**Existing Independent Living Unit Configuration**

Type of Unit	Units	Square Footage	Entrance Fees <sup>(1)(2)</sup>	Monthly Fees <sup>(1)</sup>
<b>Studios</b>				
Studio	12	315	\$43,000	\$1,889
Studio w/study	6	315	43,000	1,889
<b>Total/weighted averages</b>	<b>18</b>	<b>315</b>	<b>\$43,000</b>	<b>\$1,889</b>
<b>Studio Suites</b>				
Connecting Room Suite	38	630	\$ 110,250	\$ 2,755
1 BR - Corpening Apt.	20	630	113,400	2,808
<b>Total/weighted averages</b>	<b>58</b>	<b>630</b>	<b>\$111,336</b>	<b>\$2,773</b>
<b>Homes</b>				
1 BR – 1 Bath	4	1,150	\$231,150	\$2,594
2 BR – 2 Bath	34	1,300	261,300	3,187
2 BR – 2 Bath	30	1,500	301,500	3,412
2 BR – 2 Bath	14	1,700	341,700	3,822
2 BR – 2 Bath	17	1,900	381,900	4,267
2 BR – 2 Bath	9	2,100	432,600	4,512
2 BR – 2 Bath	18	2,300	473,800	4,905
<b>Total/weighted averages</b>	<b>126</b>	<b>1,668</b>	<b>\$337,712</b>	<b>\$3,778</b>
<b>Courtyard Homes</b>				
1 BR – 1 Bath	6	1,060	\$213,060	\$2,986
2 BR – 2 Bath	6	1,187	238,587	3,172
<b>Total/weighted averages</b>	<b>12</b>	<b>1,124</b>	<b>\$225,824</b>	<b>\$3,079</b>
<b>Apartments</b>				
1 BR – 1 Bath – Type A	2	991	\$183,335	\$2,747
1 BR – 1.5 Bath – Type B	6	1,160	214,600	3,040
2 BR – 2 Bath – Type C-1	6	1,217	225,145	3,229
2 BR – 2 Bath – Type C-2	6	1,397	258,445	3,425
2 BR – 2 Bath – Type C-3	6	1,500	277,500	3,621
2 BR – 2 Bath – Type D-1	6	1,592	294,520	3,913
2 BR – 2 Bath – Type D-2	8	1,602	296,370	3,958
2 BR – 2 Bath – Type D-3	3	1,728	319,680	4,211
2 BR – 2 Bath – Type E-1	1	1,982	366,670	4,371
<b>Total/weighted averages</b>	<b>44</b>	<b>1,435</b>	<b>\$265,559</b>	<b>\$3,580</b>
<b>Total ILUs /weighted averages</b>	<b>258</b>	<b>1,275</b>	<b>\$248,751</b>	<b>\$3,354</b>
Second person fees			\$10,000	\$1,013

Source: Management

(1) The Entrance Fee and Monthly Fee pricing is effective as of January 1, 2021.

(2) The Corporation offers a declining refundable Entrance Fee plan (the “Traditional Amortizing Plan”).

The Memory Care Units and the Nursing Beds are located in Fitzgerald Health Center (“Fitzgerald”). The Assisted Living Units are located in a mid-rise residential building (the “Assisted Living Building”). The Memory Care Units, the Nursing Beds, and the Assisted Living Units are collectively

referred to as the “Healthcare Units”, Support facilities in Fitzgerald include offices, family rooms, dining rooms, activity areas, physical therapy room, special bathing unit, and beauty shop.

The Assisted Living Units and the Memory Care Units are classified as “Adult Care Homes,” which are licensed and regulated by the North Carolina Department of Health and Human Services (“DHHS”). The Community is licensed for 106 Adult Care Home beds. Including the Assisted Living Units and the Memory Care Units, the Community is currently operating 102 licensed Adult Care Home beds.

The following table summarizes the type, number, approximate square footage, and the monthly/daily fees (“Daily Fees”) of the Healthcare Units, effective January 1, 2021.

**Table 2**  
**Healthcare Unit Configuration**

Type of Unit	Number of Units	Number of Beds <sup>(1) (2)</sup>	Approximate Square Footage	Monthly/ Daily Fees <sup>(3)</sup>
<b>Assisted Living Units</b>				
Studio	22	24	453	\$6,479
1 BR <sup>(4)</sup>	42	46	541	7,543
2 BR	1	2	904	8,973
<b>Memory Care Units</b>				
Level III Memory Care	30	30	450	9,673
<b>Total/weighted averages:</b>	<b>95</b>	<b>102</b>	<b>496</b>	<b>\$7,984</b>
<b>Nursing Beds</b>				
Private Room	83	83	314	\$351 / day
<b>Total/weighted averages</b>	<b>178</b>	<b>185</b>	<b>411</b>	<b>\$9,239 / month</b>

Source: Management

- (1) The Community is licensed by DHHS for 106 Adult Care Home beds.
- (2) The Community is licensed by DHHS for 83 skilled nursing beds. The Community does not participate in Medicaid and is licensed for 6 Medicare skilled nursing beds.
- (3) There is a \$2,800 non-refundable admission fee for direct admits into the Healthcare Units.
- (4) Four units include double occupancy.

## Description of the Project

Management has plans for an expansion to the Community to be known as “Aldersgate Square”, expected to include the construction of 56 additional Independent Living Apartments (the “New Independent Living Units”). The following table summarizes the unit types, approximate square footage, Entrance Fees and Monthly Fees for the New Independent Living Units.

**Table 3**  
**New Independent Living Unit Configuration**

Unit Configuration	Number of Units	Square Footage	Entrance Fee <sup>(1)</sup>	Monthly Fee <sup>(1)</sup>
Two-Bedroom Duo	2	1,546	\$ 286,500 - \$ 406,500	\$ 3,876
Two-Bedroom Standard	14	1,615	\$ 382,500 - \$ 412,500	\$ 4,070
Two-Bedroom Deluxe	14	1,767	\$ 427,000 - \$ 457,000	\$ 4,453
Two-Bedroom Alcove	12	1,800	\$ 431,500 - \$ 491,500	\$ 4,536
Two-Bedroom Deluxe Den	14	2,005	\$ 510,000 - \$582,500	\$5,053
<b>TOTAL/AVERAGES</b>	<b>56</b>	<b>1,788</b>	<b>\$ 455,071</b>	<b>\$4,505</b>
<b>Second Person Fees</b>				

Source: Management

(1) Entrance Fees and Monthly Fees shown are in 2021 dollars. Entrance fees shown are for the Traditional Amortizing Plan. Entrance Fees pricing is assumed to increase by 3.0 percent annually throughout the projection period.

The Existing Independent Living Units and the New Independent Living Units are collectively referred to as the “Independent Living Units”.

The following table summarizes the number of units by level of care before and after the completion of the Project.

**Table 4**  
**Number of Units/Beds Before and After the Project**

Unit Type	Existing	Project	Upon Completion
Independent Living Apartments	120	56	176
Independent Living Homes	138	(6)	132
Assisted Living Units	65	—	65
Memory Care Units	30	—	30
Skilled Nursing Beds	83	—	83
<b>Total</b>	<b>436</b>	<b>50</b>	<b>486</b>

Source: Management

(1) Management assumes that 6 Independent Living Homes will be vacated by April 2021 and removed from service.



## Timeline

The following table illustrates the anticipated timeline for financing, construction completion and fill-up of the Project.

**Table 5**  
**Development Timeline**

Issuance of 2021 Bank Loan	July 2021
Construction commences on the Project	July 2021
New Independent Living Units available for occupancy	January 2023
New Independent Living Units achieve stabilized occupancy of 95%	March 2024

Source: Management

## **COVID-19 Pandemic**

On March 11, 2020, the World Health Organization declared the highly contagious respiratory disease named “coronavirus disease 2019” (“COVID-19”) to be a pandemic, and on March 13, 2020, a national emergency was declared in the United States. The Centers for Disease Control and Prevention has confirmed the spread of COVID-19 to the United States, including North Carolina. In response, the federal government and a large number of state governments, including North Carolina, have imposed strict measures to curtail certain aspects of public life in an effort to contain COVID-19.

In addition to the direct impact to the health care industry, global investment and financial markets (including in the United States) have experienced substantial volatility, with significant declines attributed to COVID-19 concerns and associated economic impacts of the curtailment of public life described above. As with nearly all industries and companies operating through the COVID-19 pandemic, the Corporation expects to encounter further volatility and disruption in its operations and in the local, national and global economies.

An outbreak of an infectious disease, including the growth in the magnitude or severity of COVID-19 cases in the Corporation’s service area, could result in an abnormally high demand for health care services. Further, the changing global economic conditions or global health concerns surrounding the COVID-19 pandemic may also affect the Corporation’s partners, suppliers, distributors and payors, potentially disrupting or delaying the Corporation’s supply chain, project construction progress and reimbursement by private payors.

The extent of COVID-19’s effect on the Corporation’s operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, the potential impact of the COVID-19 pandemic could materially adversely impact the Company’s financial condition, liquidity and results of operations, as well as national and local economies. As a result, Management has not estimated the potential impact of COVID-19 on the Corporation. Management has not considered the potential impact of COVID-19 in its projection.

## Summary of Financing

The total financial requirements to fund Project costs is assumed to approximate \$55,000,000. The Corporation proposes to fund these financial requirements primarily through the issuance of \$55,000,000 bank loans. Management has assumed the following sources and uses of funds in preparing the financial projection.

**Table 6**  
**Sources and Uses of Funds**  
**(In Thousands)**

<b>Sources of Funds:</b>	
2021 LT Bank Loan <sup>(1)</sup>	\$ 33,000
2021 ST Bank Loan <sup>(2)</sup>	22,000
<b>Total Sources of Funds</b>	<b>55,000</b>
<b>Uses of Funds:</b>	
<b>Project Costs:</b>	
Direct construction costs <sup>(3)</sup>	46,256
Indirect construction costs <sup>(4)</sup>	324
Design and engineering <sup>(5)</sup>	2,391
Marketing costs <sup>(6)</sup>	900
Miscellaneous costs <sup>(7)</sup>	627
Contingency <sup>(8)</sup>	2,643
<b>Total Project Costs</b>	<b>53,141</b>
Funded Interest Fund <sup>(9)</sup>	1,247
Cost of Issuance and Other Costs <sup>(10)</sup>	612
<b>Total Uses of Funds</b>	<b>\$ 55,000</b>

Source: Management

- (1) Management estimates the long-term bank loan proceeds would approximate \$33,000,000 with an average interest rate of 3.0 percent per annum (the "2021 LT Bank Loan").
- (2) Management estimates the short-term bank loan proceeds would approximate \$22,000,000 with an average interest rate of 2.9 percent per annum (the "2021 ST Bank Loan"). The 2021 ST Bank Loan proceeds are anticipated to be repaid with initial Entrance Fees from the New Independent Living Units. The 2021 ST Bank Loan and the 2021 LT Bank Loan are collectively defined as the "2021 Bank Loans".
- (3) Construction and other costs related to the Project are assumed to approximate \$46,256,000.
- (4) Indirect construction costs are assumed to approximate \$324,000 and include furniture and equipment costs.
- (5) Design and engineering costs are assumed to approximate \$2,391,000 and include architecture, interior design, civil engineering, and owner's representative services.
- (6) Marketing costs are assumed to approximate \$900,000 and include expenses related to direct marketing and advertising costs, and other promotion materials.
- (7) Miscellaneous costs are assumed to approximate \$627,000 and include expenses related to start-up costs, insurance, consulting, and legal costs, as provided by Management.
- (8) Management has included a total contingency of \$2,643,000 for the Project.
- (9) Management has estimated approximately \$1,247,000 of proceeds from the 2021 Bank Loans to be used to fund interest for 18 months from the date of the issuance.
- (10) Costs of issuance related to the 2021 Bank Loans are assumed to approximate \$612,000, including legal fees, consulting fees, the bank origination fees, issuer fees, and other miscellaneous financing costs.

## Residency Agreement

### *Services and Amenities*

The residency agreement (“Residency Agreement”) is a contract under which the Corporation is obligated, upon payment by the resident (the “Resident” or “Residents”) of an Entrance Fee and ongoing payment of the Monthly Fee, to provide certain services to the Resident. While the Resident occupies an Independent Living Unit, services provided include:

- Maintenance of the Community’s buildings and common grounds;
- Heat, air conditioning, electricity, gas, water and sewer; telephone jack, but no personal telephone handset or telephone service;
- Basic cable television and internet service;
- Emergency call system, nursing assessments and assistance in emergencies;
- Routine consultation regarding health concerns;
- Recreational, educational, cultural, wellness and spiritual life programs;
- Routine transportation to non-emergency medical appointments;
- In-patient care in the Health Center with limited days at no additional charge;
- Weekly housekeeping service and annual deep cleaning;
- Laundering of bed and bath linens furnished by the Community;
- 24-7 security personnel on the grounds of the Community; and
- Dining services with meals or meal allowance.

### *Admittance Standards*

To be accepted for residency to a selected Independent Living Unit, the Resident will execute a Residency Agreement. The terms of the Residency Agreement require the Corporation accept persons who exhibit the ability to live independently and meet the financial obligation as a Resident. Upon execution of the Residency Agreement, the Resident has the following payment options: (i) pay the Entrance Fee in full, or (ii) pay twenty-five percent of the total Entrance Fee, with the balance to be paid no later than five days prior to the date of occupancy.

### *Additional Services or Care*

Pursuant to the Residency Agreement, the Resident may reside in the Independent Living Unit for as long as he or she is capable of meeting the requirements of occupancy. If the Resident is no longer able to meet the requirements of residing in the Independent Living Units, the Resident may be transferred temporarily or permanently to a Healthcare Unit.

## Summary of Significant Accounting Policies

(a) Basis of Accounting

The Corporation and Affiliate maintains its accounting and financial records according to the accrual basis of accounting.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and the Affiliate. All material intercompany accounts and transactions have been eliminated in consolidation.

(c) Cash and Cash Equivalents

Cash and cash equivalents, excluding those classified as investments and assets whose use is limited, include cash in banks, cash on hand and investments in highly liquid debt instruments with an original maturity of three months or less when purchased. The Corporation maintains its cash in bank accounts which, at times, may exceed federally depository insurance (FDIC) limits. Management believes the credit risk associated with these deposits is minimal due to the strong credit rating of the financial institutions.

(d) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value based on quoted market prices in the projected balance sheets. Investment in certain alternative investments are recorded at net asset value. Investment income (including realized gains and losses on investments, interest, and dividends) is included in operating income unless restricted by donor or law. The Corporation elected the fair value option for investments and assets limited as to use, and as such these securities are treated as trading securities. Unrealized gains or losses are reported within the performance indicator, excess (deficit) of revenues over expenses. Management assumes no realized or unrealized gains and losses in the projection period.

(e) Assets Limited as to Use

Assets limited as to use primarily include assets designated by the Board, over which the Board retains control and may at its discretion subsequently use for other purposes, or restricted by donors or trustee agreements for future capital improvements, operating reserves, and resident assistance.

North Carolina General Statute Section 58-64-33 requires CCRC's to maintain an operating reserve equal to 50 percent of total operating expenses (adjusted for non-cash items) in a given year, or 25 percent of such total operating expenses (adjusted for non-cash items) if independent living and assisted living occupancy exceeds 90 percent.

Assistance endowment funds include donor restricted funds and amounts designated by the Board. The Corporation uses certain board designated net assets and the earnings from certain permanently restricted net assets for assistance to residents.

(f) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Donated property is recorded at its estimated fair value at the time of receipt. Depreciation is computed using the straight-line method based on the following estimated useful lives:

Land improvement	20 years
Buildings	10-40 years
Furniture and equipment	3-10 years

(g) Debt Issuance Costs

Debt issuance costs include underwriter fees, feasibility studies, modification fees, and other professional fees. Debt issuance costs have been recorded as a deduction against the related debt and are being amortized using the straight-line method over the lives of the various debt instruments, which approximate amortization computed using the effective interest method.

(h) Refundable Deposits

Refundable deposits represent the portion of the payment of parking fees that will be refunded to the resident when parking is no longer required.

(i) Obligation to Provide Future Services

As of December 31, 2020, the obligation calculated resulted in the Corporation's net present value of future cash inflows exceeding the net present value of future expenditures, less the balance of unamortized deferred revenue, plus depreciation of facilities to be charged related to resident contracts. Therefore, no liability was reflected in the Consolidated Balance Sheet as of December 31, 2020. For purposes of the projection, no provision for future service obligations is assumed to be required during the projection period.

(j) Interest Rate Swap

The Corporation utilizes interest rate swaps to manage the variability in interest rates on its bonds. The Corporation accounts for its interest rate swaps under accounting principles generally accepted in the United States, which requires companies to recognize all derivative instruments as either assets or liabilities in the balance sheet at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of the foreign currency exposure of a net investment in a foreign operation. For derivative instruments not designated as hedging instruments, the changes in fair value are recognized in excess revenue over expenses. The Corporation's interest rate swaps are not designated as hedging instruments and the changes in fair value are included in changes in net assets without donor restrictions. For purposes of the projection, no changes in the fair value of interest rate swaps are assumed during the projection period.

(k) Income Taxes

The Corporation has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in Sec. 501(c)(3) of the Internal Revenue Code (the "IRC"), and is exempt from federal income taxes pursuant to Sec. 501(a). The Affiliate is a limited liability company that has not elected to be taxed as a corporation under IRC regulations. The Affiliate is wholly owned by the Corporation. As such, the Affiliate is considered a disregarded entity under current IRC regulations.

(l) Deferred Revenue from Entrance Fees

The non-refundable portion of Entrance Fees received are recorded as deferred revenue and are recognized as operating income using the straight-line method over the estimated remaining life expectancy of the residents in the Independent Living Units, adjusted annually as determined by actuarial life expectancy tables.

(m) Refundable Entrance Fees

Refundable entrance fees represent the total contractual refund obligations under existing contracts (that is if all residents with a refundable balance were to have withdrawn).

(n) Functional Expense Classification

All expenses in the accompanying projected consolidated statement of operations were incurred for or related to the provision of services by the Community and the Affiliate.

(o) Resident Fees

Resident fees represent the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Resident fees are recorded as revenue when earned.

(p) Financial Assistance

The Corporation currently maintains a financial assistance program and policy for residents holding continuing care residency agreements in the event the resident(s) should become unable to pay for services. The Corporation reserves the right to change the program and policy and does not guarantee future financial assistance. The Corporation does not expect to collect the normal charges for services provided for those residents who meet the financial assistance provisions so estimated charges for such assistance are not included in revenue. The Corporation uses both donor restricted and board-restricted funds to provide financial assistance. The Corporation receives contributions in three primary ways: through annual fundraising efforts, annual requests of outreach ministries, and estate donations.

(q) Use of Estimates

The preparation of the projected financial statements in conformity with accounting principles generally accepted in the United States of America requires Management to make estimates and assumptions that affect the amounts reported in the projected consolidated financial statements. Actual results could differ from those estimates.

(r) Net Assets

The Corporation classifies its net assets as net assets with or without donor restrictions:

- Net assets without donor restrictions - resources of the Corporation that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations, undesignated gifts, and the investment in property and equipment.
- Net assets with donor restrictions - resources that are subject to donor-imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those satisfied by the passage of time or actions of the Corporation. Other donor imposed restrictions stipulate that donated assets be maintained in perpetuity, but may permit the Corporation to use or expend part or all of the income derived from the donated assets.



## Summary of Revenue and Entrance Fee Assumptions

### *Independent Living Units*

Resident service revenue for Residents living in the Independent Living Units is based upon the assumed occupancy and the Monthly Fees of the respective units. The Independent Living Units' Monthly Fees are assumed to increase 3.0 percent beginning January 1, 2022 and annually thereafter.

The Existing Independent Living Units are assumed to achieve and maintain a 95.7 percent occupancy level by December 2022 and remain at that level throughout the projection period. New Independent Living Unit occupancy of approximately 94.6 percent is assumed to be achieved by February 2024 and remain constant at that level throughout the remainder of the projection. The following table summarizes the assumed utilization of the Independent Living Units.

<b>Years ended December 31,</b>	<b><u>Existing Independent Living Units</u></b>			<b><u>New Independent Living Units</u></b>			<b><u>Total ILU</u></b>
	<b><u>Occupied</u></b>	<b><u>Available</u></b>	<b><u>% Occupied</u></b>	<b><u>Occupied</u></b>	<b><u>Available</u></b>	<b><u>% Occupied</u></b>	
Projected:							
2021 <sup>(1)</sup>	242.0	258.0	93.8%	-	-	-	93.8%
2022 <sup>(2)</sup>	241.1	252.0	95.7%	-	-	-	95.7%
2023	241.1	252.0	95.7%	28.3	56.0	50.6%	87.4%
2024	241.1	252.0	95.7%	52.8	56.0	94.3%	95.4%
2025	241.1	252.0	95.7%	53.0	56.0	94.6%	95.5%

Source: Management

- (1) Six Independent Living Homes are assumed to be vacated and removed from service by December 2021, with Residents assumed to relocate to currently vacant Existing Independent Living Units.
- (2) The 56 New Independent Living Units are anticipated to be available for occupancy in January 2023 and are anticipated to fill over a 14-month period at an average of approximately 3.8 units per month.

Double occupancy percentages in the Independent Living Units are assumed to be 28 percent of the occupied units throughout the projection period.

The following table summarizes the move-in assumptions for the new Independent Living Units during the projection period.

Fiscal Year/Month	New Independent Living Units	Cumulative Occupied	Cumulative Occupancy <sup>(1)</sup>
<b>2023</b>			
January	4.0	4.0	7.1%
February	4.0	8.0	14.3%
March	4.0	12.0	21.4%
April	6.0	18.0	32.1%
May	6.0	24.0	42.9%
June	6.0	30.0	53.6%
July	6.0	36.0	64.3%
August	4.0	40.0	71.4%
September	4.0	44.0	78.6%
October	3.0	47.0	83.9%
November	3.0	50.0	89.3%
December	1.0	51.0	91.1%
<b>2024</b>			
January	1.0	52.0	92.9%
February	1.0	53.0	94.6%
<b>Total</b>	<b>53.0</b>		

Source: Management

(1) Cumulative occupancy based on 56 New Independent Living Units

*Assumed Independent Living Turnover*

The assumed turnover for the Independent Living Units due to death, withdrawal or transfer to assisted living, memory care, or nursing accommodations, and double occupancy of the Independent Living Units has been based, in part, on historical experience of the Corporation.

Refunds of Entrance Fees are generated upon termination of the Residency Agreement and withdrawal from the Community, subject to the re-occupancy of the vacated Independent Living Units. Entrance Fees may be generated from Independent Living Unit turning over without a corresponding refund because the Resident has not withdrawn from the Community, but has permanently transferred to assisted living, memory care, or nursing accommodations. The assumed number of refunds on the Independent Living Units is provided by Management.

The following table presents the assumed initial and attrition Entrance Fees received and the total Entrance Fee refunds.

<b>Table 9</b>					
<b>Initial and Attrition Entrance Fee Receipts and Total Entrance Fee Refunds</b>					
<b>(In Thousands)</b>					
<b>Fiscal Year Ending December 31,</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<i><b>Number of Entrance Fees Received</b></i>					
Initial move-ins	-	-	51.0	2.0	-
Turnovers	30.0	30.0	30.0	31.0	31.0
<i><b>Entrance Fees Received</b></i>					
New Independent Living Units	\$ -	\$ -	\$ 23,621	\$ 915	\$ -
Existing Independent Living Units	6,281	7,808	8,480	9,147	9,873
Assisted Living Units & Nursing Beds <sup>(1)</sup>	112	112	112	112	112
Advantage Program <sup>(2)</sup>	210	407	439	146	161
<i><b>Entrance Fees Refunded</b></i>					
Independent Living Units <sup>(3)</sup>	(400)	(386)	(663)	(915)	(931)
Advantage Program <sup>(4)</sup>	(58)	(81)	(106)	(122)	(125)
<b>Entrance Fees Received, Net of Refunds</b>	<b>\$6,145</b>	<b>\$7,860</b>	<b>\$31,883</b>	<b>\$9,283</b>	<b>\$9,090</b>

Source: Management

- (1) There is a \$2,800 non-refundable Entrance Fee for Residents directly admitted into the Healthcare Units.
- (2) There is a \$12,500 Entrance Fee for Advantage Program members, which is refundable over 50 months minus a \$1,000 non-refundable fee.
- (3) The Community offers a Traditional Amortizing Plan. Entrance Fee refunds for the Independent Living Units are based on the experience of Management.
- (4) Entrance Fees already paid for Advantage Program membership are transferrable to the Entrance Fee required to move into a residential unit at the Community.

Entrance Fees for the Independent Living Units are assumed to increase 3.0 percent beginning January 1, 2022 and annually thereafter.

*Assisted Living Units*

The Community currently has accommodations, equipment, staffing, programs, services, and supervision necessary for the Assisted Living Units, with these accommodations available to residents on a priority basis. However, the Corporation cannot guarantee access to these areas.

The Monthly Fees are generated from assisted living services provided to Residents transferring from the Independent Living Units as well as direct admissions from the surrounding area to the Assisted Living Units. Residents permanently transferring from the Independent Living Units to the Assisted Living Units are assumed to pay the then current Monthly Fee. Assisted Living Monthly Fees are assumed to increase 3.0 percent beginning January 1, 2022 and annually thereafter.

The Assisted Living Units are assumed to maintain a 94.6 percent occupancy level throughout the projection period. The following table summarizes the assumed utilization of the Assisted Living Units.

<b>Years ended December 31,</b>	<b><u>Occupied</u></b>	<b><u>Available</u></b>	<b><u>% Occupied</u></b>
Projected:			
2021	63.4	67.0	94.6%
2022	63.4	67.0	94.6%
2023	63.4	67.0	94.6%
2024	63.4	67.0	94.6%
2025	63.4	67.0	94.6%

Source: Management

*Memory Care Units*

The Community currently has accommodations, equipment, staffing, programs, services, and supervision necessary for the Memory Care Units, with these accommodations available to residents on a priority basis. However, the Corporation cannot guarantee access to these areas.

The Monthly Fees are generated from memory care services provided to residents transferring from the Independent Living Units, Assisted Living Units, as well as direct admissions from the surrounding area to the Memory Care Units. Residents permanently transferring from the Independent Living Units or Assisted Living Units to the Memory Care Units are assumed to pay the then current Monthly Fee. Memory Care Monthly Fees are assumed to increase 3.0 percent beginning January 1, 2022 and annually thereafter.

The Memory Care Units are assumed to maintain a 94.6 percent occupancy level throughout the projection period. The following table summarizes the assumed utilization of the Memory Care Units.

<b>Years ended December 31</b>	<b><u>Occupied</u></b>	<b><u>Available</u></b>	<b><u>% Occupied</u></b>
Projected:			
2021	28.4	30.0	94.6%
2022	28.4	30.0	94.6%
2023	28.4	30.0	94.6%
2024	28.4	30.0	94.6%
2025	28.4	30.0	94.6%

Source: Management

*Nursing Beds*

The Community currently has accommodations, equipment, staffing, programs, services, and supervision necessary for the Nursing Beds, with these accommodations available to residents on a priority basis. However, the Corporation cannot guarantee access to these areas.

The Daily Fees are generated from services provided to residents transferring from the Independent Living Units, the Assisted Living Units, the Memory Care Units, or as direct admissions from the surrounding area to the Nursing Beds. Residents permanently transferring from the Independent Living Units, the Assisted Living Units, or the Memory Care Units would pay the then current Daily Rate. Nursing Bed daily fees are assumed to increase 3.0 percent beginning January 1, 2022 and annually thereafter.

In addition, resident revenues for the Independent Living Units, Assisted Living Units, Memory Care Units and Nursing Beds also include revenues from additional resident meals, barber and beauty services, and gift shop sales, which are assumed to increase 3.0 percent beginning January 1, 2022 and annually thereafter.

The Nursing Beds are assumed to maintain a 91.6 percent occupancy level throughout the projection period. The following table summarizes the assumed utilization of the Nursing Beds.

<b>Years ended December 31,</b>	<b><u>Private Pay</u></b>	<b><u>Medicare</u></b>	<b><u>Occupied</u></b>	<b><u>Available <sup>(1)</sup></u></b>	<b><u>% Occupied</u></b>
Projected:					
2021	72.0	4.0	76.0	83.0	91.6%
2022	72.0	4.0	76.0	83.0	91.6%
2023	72.0	4.0	76.0	83.0	91.6%
2024	72.0	4.0	76.0	83.0	91.6%
2025	72.0	4.0	76.0	83.0	91.6%

Source: Management

(1) The Community is licensed by DHHS for 83 nursing beds. The Community does not participate in Medicaid and is licensed for 6 Medicare skilled nursing beds.

*Advantage Program*

Advantage Program revenue is based upon the assumed utilization and an assumed monthly fee of \$400 per individual member, which is assumed to increase 3.0 percent annually throughout the projection period.

**Table 13**  
**Advantage Program Members**

<b>Fiscal Year Ending December 31,</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Average number of members	46.5	65.5	90.4	100.0	100.0

Source: Management

*Home Care*

Home care revenue is based upon the assumed utilization and an assumed hourly fee of \$17 per hour for home health aide and sitter services. Hourly fees are assumed to increase 3.0 percent annually throughout the projection period.

**Table 14**  
**Home Care Utilization**

<b>Fiscal Year Ending December 31,</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Home Health Aide / Sitter Hours	60,000	60,000	60,000	60,000	60,000

Source: Management

*Other Income*

Other revenue consists of revenues from catering meals, guest apartment rentals, application fees, gift shop sales, and other miscellaneous sources. Other revenue is assumed to increase 3.0 percent annually throughout the projection period.

*Interest Income*

The average annual rate of return on the Corporation's unrestricted cash, investments and Assets Limited to Use is assumed to be 3.0 percent.

*Contributions*

Contributions include endowment income unrestricted and, donor restricted gifts. Management assumes that no contributions receivable assumed to be collected during the projection period.

## **Operating Expenses**

Operating expenses are estimated by Management based on its historical experience and expectations for the projection period. Staff salaries and benefits are based on prevailing local salary and wage rates and are assumed to increase 3.0 percent annually throughout the projection period. The costs of employee fringe benefits are assumed to approximate 28.5 percent of salaries and wages.

Other non-salary operating expenses are assumed to include ongoing marketing costs, raw food costs, utilities, supplies, maintenance and security contracts, building and general liability insurance, legal and accounting fees, and other miscellaneous expenses and are assumed to increase 3.0 percent annually throughout the projection period.

## **Assets Limited as to Use**

Assets Limited as to Use include donor restricted funds for residence assistance, assistance endowment, and for other specific purposes.

### *Operating Reserve Requirement*

North Carolina General Statute § 58-64-33 requires CCRC's to maintain an operating reserve (the "Statutory Operating Reserve") equal to 50 percent of the total operating costs in a given year, or 25 percent of such total operating costs if occupancy as of a certain date exceeds 90 percent of the independent living unit capacity. This law provides security to residents that the Community is able to meet its contractual obligations to provide continuing care. Management's projection shows sufficient cash and investment balances to comply with the Statutory Operating Reserve requirement throughout the projection period.

## **Long-Term Debt and Interest Expense**

### *Series 2010 Bank Bonds*

In June 2010, the Corporation obtained debt ("Series 2010 Bank Bonds") to pay for the construction of the Assisted Living Building. The Series 2010 Bank Bonds consist of \$28,845,000 with a variable interest rate of 79 percent of LIBOR plus 1.0854 percent. The Series 2010 Bank Bonds are covered by an interest rate swap that effectively fixes the variable interest rate bonds at 3.333 percent and expires in December 2037. Interest on the Series 2010 Bank Bonds is payable monthly. Principal on the Series 2010 Bank Bonds is paid monthly with a final maturity on January 1, 2038. As of December 31, 2020, the balance of the 2010 Bank Bonds was approximately \$24,100,000.

### *Series 2016 Bonds*

In December 2016, \$13,159,000 of North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Refunding Bonds (Arbor Acres Methodist Retirement Community) Series 2016 (the "Series 2016 Bonds") were issued to refund the then outstanding North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Refunding Bonds (Arbor Acres Methodist Retirement Community) Series 2007 (the "Series 2007 Bonds"). The Series 2016 Bonds consist of variable rate tax-exempt bonds, with a fixed interest rate swap at 2.914 percent per annum. Interest on the Series 2016 Bonds is payable monthly. Principal on the Series 2016 Bonds is paid



monthly with a final maturity on January 1, 2031. As of December 31, 2020, the balance of the Series 2016 Bonds was approximately \$9,925,000.

*2019 Bank Loan*

In September 2019, the Corporation entered into a loan agreement with a commercial bank (the “2019 Bank Loan”) to refinance then current debt and finance Community renovations. The 2019 Bank Loan consists of a \$8,450,000 taxable loan amortized over 15 years and a variable interest rate of LIBOR plus 1.15 percent. The 2019 Bank Loan is covered by an interest rate swap that effectively fixes the variable interest rate loan at 2.865 percent and expires in September 2034. Interest on the 2019 Bank Loan is payable monthly. Principal on the 2019 Bank Loan is paid monthly with a final maturity on September 1, 2034. As of December 31, 2020, the balance of the 2019 Bank Loan was approximately \$7,876,000.

*2021 Bank Loans*

Management plans to finance the construction of the Project through issuance of the 2021 Bank Loans totaling \$55,000,000, assumed to be drawn down over a period of 18 months beginning July 1, 2021. The 2021 Bank Loans consists of the \$22,000,000 2021 ST Bank Loan and the \$33,000,000 LT Bank Loan.

The 2021 ST Bank Loan is assumed to accrue interest at a rate of 2.9 percent per annum. Interest on the 2021 ST Bank Loan is assumed to be payable monthly beginning in August 2021. Principal on the 2021 ST Bank Loan is assumed to be repaid monthly with initial Entrance Fees received from the New Independent Living Units beginning in February 2023 with a final payment in July 2026.

The 2021 LT Bank Loan is assumed to accrue interest at a rate of 3.0 percent per annum. Interest on the 2021 LT Bank Loan is assumed to be payable monthly beginning in August 2021. Principal on the 2021 LT Bank Loan is assumed to be repaid monthly beginning August 2026.

The following table presents the assumed annual debt service during the projection period.

**Table 15**  
**Annual Debt Service**  
**(In Thousands)**

Year Ending December 31,	<u>Series 2010 Bank</u>		<u>Series 2016</u>		<u>2019 Bank</u>		<u>2021 ST Bank</u>		<u>2021 LT Bank</u>		Total Debt Service
	<u>Bonds</u>	<u>Bonds</u>	<u>Bonds</u>	<u>Bonds</u>	<u>Loan</u>	<u>Loan</u>	<u>Loan</u>	<u>Loan</u>	<u>Loan</u>	<u>Loan</u>	
2021	660	804	876	281	473	223	-	123	-	2	3,442
2022	660	782	900	255	487	209	-	676	-	446	4,415
2023	720	759	922	228	501	194	5,762	620	-	1,071	10,777
2024	720	736	937	201	516	180	6,286	424	-	1,073	11,073
2025	775	709	970	173	531	164	6,286	224	-	1,070	10,902

Source: Management

**Current Assets and Current Liabilities**

Operating expenses exclude amortization, depreciation, other non-cash expenses and interest expense. Operating revenues include service fees. Working capital components have been estimated based on industry standards and Management's historical experience as follows:

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**Table 16**  
**Working Capital – Days on Hand**

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Accounts receivable	5	days operating revenues
Prepaid expenses	6	days operating expenses
Accounts payable	20	days operating expenses
Accrued expenses	15	days operating expenses

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Source: Management

**ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC.**  
**COMPARISON OF AUDIT TO FORECAST BALANCE SHEET**  
**December 31, 2020**  
**(in thousands of dollars)**

<b>ASSETS</b>	<b>Audit*</b> <b>2020</b>	<b>Forecast**</b> <b>2020</b>	<b>\$ Variance</b>	<b>% Variance</b>	<b>Explanation</b>
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 3,575	\$ 2,487	\$ 1,088	44%	A
Investments	18,747	15,287	3,460	23%	
Accounts receivable, net	798	393	405	103%	D
Current portion of campaign pledges receivable	-	31	(31)	-100%	
Prepaid expenses	360	423	(63)	-15%	
Current portion of assets limited as to use	82	-	82	#DIV/0!	
Total Current Assets	<u>23,562</u>	<u>18,621</u>			
<b>Non-current assets:</b>					
<b>Assets limited as to use:</b>					
<b>Board designated for:</b>					
Assistance endowment	6,721	6,348	373	8%	B
Capital projects	2,520	2,520	-	0%	
<b>Donor restricted for:</b>					
Resident assistance	293	72	221	307%	
Assistance endowment	11,068	9,512	1,556	18%	B, C
Other specific purposes	713	719	(6)	-1%	
State operating reserve requirement	7,400	7,400	-	0%	
Bond trustee	82	-	82	#DIV/0!	
Total assets limited as to use	<u>28,797</u>	<u>28,571</u>			
Less: current portion	(82)	-	(82)	#DIV/0!	
Campaign pledges receivable, net of current portion	-	-	-	#DIV/0!	
Other long-term assets	121	121	-	0%	
Property and equipment, net	86,633	87,617	(984)	-1%	
Beneficial interest in perpetual trust	1,449	1,345	104	8%	
Interest rate swap asset	-	-	-	#DIV/0!	
Total non-current assets	<u>116,918</u>	<u>115,654</u>			
<b>TOTAL ASSETS</b>	<u>\$ 140,480</u>	<u>\$ 134,275</u>			
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 1,428	\$ 1,455	(27)	-2%	
Accrued expenses	1,278	1,080	198	18%	
Accrued interest payable	99	127	(28)	-22%	
Current maturities of long-term debt	2,009	2,009	-	0%	
Unearned grants	393	-	393	#DIV/0!	E
Estimated refundable entrance fees	326	491	(165)	-34%	
Total current liabilities	<u>5,533</u>	<u>5,162</u>			
<b>Long-term liabilities:</b>					
Refundable deposits	111	54	57	106%	
Deferred revenue from entrance fees	32,816	33,468	(652)	-2%	
Long-term debt, less current maturities	39,236	39,186	50	0%	
Liability for interest rate swaps	5,380	2,482	2,898	116%	G
Total long term liabilities	<u>77,513</u>	<u>75,100</u>			
Total Liabilities	<u>83,046</u>	<u>80,352</u>			
<b>Net Assets</b>					
Without donor restrictions	43,910	42,222	1,688	4%	
With donor restrictions	13,524	11,701	1,823	16%	
Total Net Assets	<u>57,434</u>	<u>53,923</u>			
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 140,480</u>	<u>\$ 134,275</u>			

Materiality for purposes of this disclosure are differences greater than \$250,000 and 25% variance from the previous year.

A - See Statement of cashflows for reasons for the difference in the ending cash balance.

B - Arbor Acres budgets investment returns conservatively, actual returns in 2020 were significant, resulting in higher ending balances

C - Endowment donations were budgeted conservatively for the forecast, actual endowment donations have significantly exceeded forecast.

D - Significant receivables related to Home care were not contemplated when the forecast was created. Therefore actual amounts differ.

E - Arbor Acres was the recipient of CARES Act Provider Relief Funds in 2020, this represents the unspent portion, not budgeted.

G - Arbor Acres does not forecast any changes in the value of interest rate swaps, the actual change was significant.

\* Amounts are derived from the audited financial statements and presented in thousands of dollars.

\*\* Amounts are derived from the December 31, 2020 - 2024 financial projection. Amounts are presented in a format similar to the audit presentation.

**ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC.**  
**COMPARISON OF AUDIT TO FORECAST STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
(in thousands of dollars)

	Audit*	Forecast**			
	2020	2020	\$ Variance	% Variance	Explanation
<b>Revenue, gains and other support</b>					
Contributions	\$ 2,731	\$ 1,286	\$ 1,445	112.4%	C
Resident fees	27,470	27,549	(79)	-0.3%	
Home Care revenue	1,123	513	610	118.9%	5
Entrance fees earned	5,066	5,200	(134)	-2.6%	
Investment income	848	745	103	13.8%	
Other revenue	669	127	542	426.8%	2
<b>Total revenue, gains and other support</b>	<b>37,907</b>	<b>35,420</b>			
<b>Expenses</b>					
Medical and personal care	7,785	7,921	(136)	-1.7%	
Food service	5,225	5,004	221	4.4%	
Facility services	5,388	5,393	(5)	-0.1%	
Utilities	1,336	1,437	(101)	-7.0%	
Resident services	1,318	1,458	(140)	-9.6%	
Administration	3,335	3,477	(142)	-4.1%	
Human resources	542	549	(7)	-1.3%	
Home Care expenses	1,040	546	494	90.5%	5
Marketing & development	1,043	1,071	(28)	-2.6%	
Depreciation	7,440	7,500	(60)	-0.8%	
Interest expense	1,423	1,416	7	0.5%	
<b>Total expenses</b>	<b>35,875</b>	<b>35,772</b>			
<b>Operating income</b>	<b>2,032</b>	<b>(352)</b>			
<b>Non-operating revenue (expenses):</b>					
Loss on extinguishment of debt	-	-	-	#DIV/0!	
Loss on disposal of property	(245)	(400)	155	-38.8%	
Unrealized loss from interest rate swap	(2,868)	-	(2,868)	#DIV/0!	3
Change in value - perpetual trusts	105	-	105	#DIV/0!	
Net realized gain on investments	246	-	246	#DIV/0!	
Net unrealized gain on investments	3,489	-	3,489	#DIV/0!	3
<b>Excess of revenues over expenses</b>	<b>2,759</b>	<b>(752)</b>			
<b>Change in net assets</b>	<b>2,759</b>	<b>(752)</b>			
<b>Net assets, beginning</b>	<b>54,675</b>	<b>54,675</b>			
<b>Net assets, ending</b>	<b>\$ 57,434</b>	<b>\$ 53,923</b>			

Materiality for purposes of this disclosure are differences greater than \$250,000 and 25% variance from the previous year.

2. Arbor Acres was the recipient of CARES Act Provider Relief Funds, this includes \$600k in unbudgeted program support.

3. Arbor Acres does not typically forecast realized and unrealized gains or losses on interest rate swaps or investments.

5. Arbor Acres' Home Care business Revenues and Expenses were well above budget as the business grew faster than expected. 2020 was the first full calendar year of the business and growth was faster than anticipated.

\* Amounts are derived from the audited financial statements totals, and presented in thousands of dollars.

\*\* Amounts are derived from the December 31, 2019 - 2023 financial projection. Amounts are presented in a format similar to the audit presentation.

**ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC.**  
**COMPARISON OF AUDIT TO FORECAST STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
(in thousands of dollars)

	Audit* 2020	Forecast** 2020	\$ Variance	% Variance	Explanation
<b>Cash flows from operating activities</b>					
Change in net assets	\$ 2,769	\$ (752)	\$ 3,511		
Adjustments to reconcile change in net assets to net cash provided by operating activities					
Depreciation	7,440	7,500	(60)	-0.8%	
Loss on disposal of assets	245	400	(155)	-38.8%	
Realized & unrealized gain on investments	(3,735)	-	(3,735)	#DIV/0!	3
Change in value perpetual trusts	(105)	-	(105)	#DIV/0!	
Contributions restricted for long-term investment	(1,088)	-	(1,088)	#DIV/0!	Z
Entrance fees received	5,592	6,601	(1,009)	-15.3%	
Amortization of entrance fees	(5,066)	(5,200)	134	-2.6%	
Amortization of deferred costs	48	48	-	0.0%	
Unrealized (gain) loss on interest rate swap	2,868	-	2,868	#DIV/0!	3
Change in operating assets and liabilities					
Accounts receivable	(159)	246	(405)	-164.6%	D
Campaign receivables	31	0	31	#DIV/0!	
Prepaid expenses and deposits	16	(47)	63	-134.0%	
Accounts payable	157	249	(92)	-36.9%	
Accrued expenses	169	51	118	231.4%	
Unearned grants	393	-	393	#DIV/0!	E
Refundable deposits	56	-	56	#DIV/0!	
<b>Net cash provided by operating activities</b>	<u>9,621</u>	<u>9,096</u>			
<b>Cash flows from investing activities</b>					
Acquisition of property and equipment	(4,877)	(6,242)	1,365	-21.9%	W
Proceeds from disposal of property & equipment	2	-	2	#DIV/0!	
(Increase) decrease in assets limited as to use	(2,380)	(1,109)	(1,271)	114.6%	B
Purchase of investments, net	(857)	(177)	(680)	384.2%	Y
<b>Net cash used in investing activities</b>	<u>(8,112)</u>	<u>(7,528)</u>			
<b>Cash flows from financing activities</b>					
Payment on long-term debt	(1,922)	(1,922)	-	0.0%	
Entrance fee refunds	(390)	(449)	59	-13.1%	
Contributions restricted for long-term investment	1,088	-	1,088	#DIV/0!	Z
<b>Net cash provided by financing activities</b>	<u>(1,224)</u>	<u>(2,371)</u>			
<b>Increase (decrease) in cash and cash equivalents</b>	<b>285</b>	<b>(803)</b>			
<b>Beginning balance, cash and cash equivalents</b>	<u>3,290</u>	<u>3,290</u>			
<b>Ending balance, cash and cash equivalents</b>	<u>\$ 3,575</u>	<u>\$ 2,487</u>			

Materiality for purposes of this disclosure are differences greater than \$250,000 and 25% variance from the previous year. See the balance sheet and statement of operations and changes in net assets for selected explanations.

Z. Arbor Acres did not forecast this line item.

Y. Less funds were transferred to the investment portfolio than was forecast.

W. Capital expenditures of over \$1m related to a planned expansion project were not included in the forecast.

T. Arbor Acres refinanced outstanding debt with an additional taxable loan in 2019. This resulted in a repayment and new loan.

S. Actual entrance fees received were greater, primarily because turnover of units was greater than forecast.

R. There were less refunds actually paid out than had been forecast for the period.

\* Amounts are derived from the audited financial statements totals, and presented in thousands of dollars.

\*\* Amounts are derived from the December 31, 2020 - 2024 financial projection. Amounts are presented in a format similar to the audit presentation.

## ESCROW AGREEMENT

**THIS ESCROW AGREEMENT** (this "Agreement") is made this 13 day of June, 2020 by and between Arbor Acres United Methodist Retirement Community, Inc., a North Carolina nonprofit corporation ("Sponsor"), and Truist Bank, a North Carolina banking corporation ("Escrow Agent").

### RECITALS

- A. Sponsor is the intended operator of certain property located in Winston-Salem, North Carolina as a continuing care retirement community known as Arbor Acres (the "Community"). As the operator, Sponsor will from time to time enter into non-binding priority list reservation agreements with persons desiring to reside at Arbor Acres and into binding reservation agreements and/or resident agreements with persons contracting for residences at the Community; and
- B. Pursuant to such non-binding priority list reservation agreements, persons desiring to reside at Arbor Acres deposit funds ("Deposits") with Sponsor and, pursuant to such binding reservation agreements and/or resident agreements, the prospective resident(s) ("Depositing Person(s)") contracting for a residence are required to pay all or a portion of certain entrance fees ("Entrance Fees") prior to occupancy by them; and
- C. Pursuant to Article 64 of Chapter 58 of the North Carolina General Statutes, as amended (the "Act"), and Title 11, Chapter 11, Subchapter H, Section .0102(l)(b)(ii) of the North Carolina Administrative Code, the Deposits received in connection with non-binding priority list reservation agreements and certain Entrance Fees received in connection with binding reservation agreements and/or resident agreements must be escrowed; and
- D. Subject to the terms of the Act, Sponsor hereby agrees to deposit in an escrow fund established and maintained by the Escrow Agent (the "Escrow Account") the Deposits and the Entrance Fees that are required to be deposited into an escrow fund pursuant to the Act; and
- E. The parties hereto now desire and intend to provide for the safekeeping of the Deposits and such Entrance Fees and for the procedures in disbursing the Deposits and such Entrance Fees;

### **WITNESSETH:**

**NOW THEREFORE**, in consideration of the premises set forth above, the mutual covenants set forth below, and other good and valuable consideration, the receipt, and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The Escrow Agent shall open the Escrow Account, and the Sponsor shall deposit with the Escrow Agent, (a) any and all Deposits made by Depositing Persons pursuant to their specific non-binding priority list reservation agreements, and (b) all Entrance Fees received or Deposits recast as Entrance Fees pursuant to paragraph 4 hereafter, except (i) if the conditions set forth in paragraph 6 hereafter have been met, only 75% of Entrance Fees received or Deposits recast as Entrance Fees shall

be deposited or retained, respectively, and (ii) if the conditions set forth in paragraph 7 hereafter have been met, no such Entrance Fees received or Deposits recast as Entrance Fees shall be deposited or retained, respectively.

2. The Escrow Agent hereby agrees to maintain the Deposits and Entrance Fee amounts separate and apart from its other funds, and shall hold and disburse the Deposits and Entrance Fee amounts in accordance with this Agreement. On or before each delivery to the Escrow Agent of any Deposits and Entrance Fees, Sponsor shall furnish to the Escrow Agent the name and address of each Depositing Person providing such Deposits and Entrance Fees, together with such other information concerning each such Depositing Person as the Escrow Agent shall reasonably request. The Escrow Agent shall maintain records as to the Deposits and Entrance Fees with respect to each such Depositing Person and shall report such information monthly to Sponsor.

The Escrow Agent shall invest all funds held pursuant to this Escrow Agreement in the SunTrust Institutional Preferred Deposit Option. The investments in the SunTrust Institutional Preferred Deposit Option are insured, subject to the applicable rules and regulations of the Federal Deposit Insurance Corporation (the "FDIC"), in the standard FDIC insurance amount of \$250,000, including principal and accrued interest, and are not secured. The SunTrust Institutional Preferred Deposit Option is more fully described in materials which have been furnished to the Sponsor by the Escrow Agent, and the Sponsor acknowledges receipt of such materials from the Escrow Agent. Instructions to make any other investment must be in writing and signed by the Sponsor. The Sponsor recognizes and agrees that the Escrow Agent will not provide supervision, recommendations or advice relating to the investment of moneys held hereunder or the purchase, sale, retention or other disposition of any investment, and the Escrow Agent shall not be liable to the Sponsor or any other person or entity for any loss incurred in connection with any such investment. The Escrow Agent is hereby authorized to execute purchases and sales of investments through the facilities of its own trading or capital markets operations or those of any affiliated entity. The Escrow Agent or any of its affiliates may receive compensation with respect to any investment directed hereunder including without limitation charging any applicable agency fee in connection with each transaction. The Escrow Agent shall use its best efforts to invest funds on a timely basis upon receipt of such funds; provided, however, that the Escrow Agent shall in no event be liable for compensation to the Sponsor or other person or entity related to funds which are held un-invested or funds which are not invested timely. The Escrow Agent is authorized and directed to sell or redeem any investments as it deems necessary to make any payments or distributions required under this Escrow Agreement.

3. The Sponsor agrees that all interest and income from the investment of the funds shall be reported as having been earned by the Sponsor as of the end of each calendar year whether or not such income was disbursed during such calendar year and to the extent required by the Internal Revenue Service. On or before the execution and delivery of this Escrow Agreement, the Sponsor shall provide to the Escrow Agent a correct, duly completed, dated and executed current United States Internal Revenue Service Form W-9 or Form W-8, whichever is appropriate or any successor forms thereto, in a form and substance satisfactory to the Escrow Agent including appropriate supporting documentation and/or any other form, document, and/or certificate required or reasonably requested by the Escrow Agent to validate the form provided. Notwithstanding anything to the contrary herein provided, except for the delivery and filing of tax information reporting forms required pursuant to the Internal Revenue Code of 1986, as amended, to be delivered and filed with the Internal Revenue Service by the Escrow Agent, as escrow agent hereunder, the Escrow Agent shall have no duty to prepare or file any Federal or

state tax report or return with respect to any funds held pursuant to this Escrow Agreement or any income earned thereon. With respect to the preparation, delivery and filing of such required tax information reporting forms and all matters pertaining to the reporting of earnings on funds held under this Escrow Agreement, the Escrow Agent shall be entitled to request and receive written instructions from the Sponsor, and the Escrow Agent shall be entitled to rely conclusively and without further inquiry on such written instructions. The Sponsor agrees to indemnify, defend and hold the Escrow Agent harmless from and against any tax, late payment, interest, penalty or other cost or expense that may be assessed against the Escrow Agent on or with respect to the Escrow Fund or any earnings or interest thereon unless such tax, late payment, interest, penalty or other cost or expense was finally adjudicated by a court of competent jurisdiction to have been directly caused by the gross negligence or willful misconduct of the Escrow Agent. The indemnification provided in this section is in addition to the indemnification provided to the Escrow Agent elsewhere in this Escrow Agreement and shall survive the resignation or removal of the Escrow Agent and the termination of this Escrow Agreement.

4. Upon written notification to the Escrow Agent by the Sponsor stating that a Depositing Person has entered into a binding reservation agreement and/or resident agreement with the Sponsor, the Escrow Agent shall forthwith recast such Depositing Person's Deposit in the Escrow Account as Entrance Fees. Thereafter, if the Sponsor notifies the Escrow Agent in writing that either of the conditions described in Section 6 or Section 7 below have been satisfied, the Escrow Agent shall promptly disburse to the Sponsor the amounts set forth in said Section 6 or Section 7 pursuant to the Sponsor's written request.

5. Upon written notification to the Escrow Agent by the Sponsor that a Depositing Person wishes to terminate or withdraw his or her non-binding priority list reservation agreement or that such Depositing Person's Deposit is otherwise required to be returned to such Depositing Person, the Escrow Agent shall forthwith disburse such Depositing Person's money on deposit in the Escrow Account in accordance with such written instructions within five (5) business days of receipt of such written notice. All interest earnings shall be allocable to the Sponsor. Upon written notification to the Escrow Agent by the Sponsor stating that Entrance Fees are to be returned to any Depositing Person, the Escrow Agent shall forthwith disburse such Depositing Person's money or deposit in the Escrow Account to such Depositing Person in accordance with the Sponsor's written instructions within five (5) business days of receipt of such written notice. All interest earnings shall be allocable to the Sponsor.

6. Upon receipt by the Escrow Agent of written notice from the Sponsor stating that the requirement set forth in Section 58-64-35(a)(1) of the Act has been met for any Phase of the project (a "Phase" will be defined and agreed upon between the Sponsor the North Carolina Department of Insurance, Financial Evaluation Division, Special Entities Section), 25% of the Entrance Fees for that Phase, together with the earnings thereon shall be disbursed to the Sponsor within five (5) business days.

7. Upon receipt by the Escrow Agent of written notice from the Sponsor stating that the requirement set forth in Section 58-64-35(a)(2) of the Act has been met for any Phase of the project (a "Phase" will be defined and agreed upon between the Sponsor the North Carolina Department of Insurance, Alternative Markets Division, Special Entities Section), all remaining Entrance Fees for that Phase and all earnings thereon shall be disbursed to the Sponsor within five (5) business days.



8. This Agreement shall terminate when all disbursements of the Deposits and Entrance Fees required to be made with respect to the Escrow Account by the Escrow Agent under the provisions hereof shall be made.

9. In performing its duties under this Agreement, or upon the claimed failure to perform its duties, the Escrow Agent shall have no liability except for the Escrow Agent's willful misconduct or negligence. In no event shall the Escrow Agent be liable for incidental, indirect, special, and consequential or punitive damages. The Escrow Agent shall have no implied duties or obligations under the terms of this Agreement or otherwise. The Escrow Agent shall not be charged with or be deemed to have any knowledge or notice of any notice, fact, or circumstance not specifically set forth in this Agreement or furnished to the Escrow Agent in notices provided to the Escrow Agent in writing and strictly in accordance with the notice provisions of this Agreement. The Escrow Agent shall not be required to take notice of any agreement or understanding, including but not limited to any binding residents' agreements, other than this Agreement and shall have no duty or responsibility to take any action pursuant to the terms thereof. The Escrow Agent shall have no liability with respect to the transfer or distribution of any funds affected by the Escrow Agent pursuant to wiring or transfer instructions provided to the Escrow Agent by any party to this Agreement. The Escrow Agent shall be entitled to seek the advice of legal counsel with respect to any matter arising under this Agreement. The Escrow Agent shall not be obligated to take any legal action or to commence any proceedings in connection with this Agreement or any funds held hereunder or to appear in, prosecute or defend in any such legal action or proceedings. The Escrow Agent shall be entitled to rely upon and shall be fully protected in acting on any request, instruction, statement or other instrument, not only as to its due execution, validity and effectiveness, but also as to the truth and accuracy of any information set forth therein, which the Escrow Agent shall in good faith believe to be genuine, to have been signed or presented by the person or parties purporting to sign the same and to conform to the provisions of this Agreement. The Escrow Agent shall have no duty or obligation to collect or otherwise require payment of any check or other instrument delivered in payment of deposits hereunder, other than submission of such instruments for payment in the ordinary course of business. In no event shall the Escrow Agent have any obligation to invest or disburse funds under this Agreement other than with respect to collected funds and any earnings thereon. The Escrow Agent shall rely exclusively on notices, requests, and communications from Sponsor and its authorized representatives and agents and shall have no duty or obligation to take notice of or to take action pursuant to any notice, request, or other communication furnished to the Escrow Agent from any other party.

10. As an additional consideration for and as an inducement for Escrow Agent to serve as Escrow Agent hereunder, it is understood and agreed that in the event of any disagreement between the parties to this Agreement or among any of them and any other persons resulting in adverse claims or demands being made in connection with or for any funds or other property held pursuant to this Agreement, the Escrow Agent shall be entitled, at the election of the Escrow Agent, to refuse to comply with the demands of such parties, or any of such parties, so long as such disagreement shall continue. In such event, the Escrow Agent shall make no delivery or other disposition of any funds or property held pursuant to the terms of this Agreement or any part thereof. Anything herein to the contrary notwithstanding, the Escrow Agent shall not be or become liable to such parties or any of them for the failure of the Escrow Agent to comply with conflicting or adverse demands of such parties or any of such parties. In the event of any dispute or disagreement as described above, the Escrow Agent shall have the right, in addition to the rights described above and at the election of the Escrow Agent, to

tender into the registry or custody of any court having jurisdiction, all money and property held under this Agreement and may take such other legal action as may be appropriate or necessary, in the opinion of the Escrow Agent. Upon such tender, the parties hereto agree that the Escrow Agent shall be discharged from all further duties under this Agreement; provided, however, that the filing of any such legal proceedings shall not deprive the Escrow Agent of its compensation hereunder earned prior to such filing and discharge of the Escrow Agent of its duties hereunder.

11. The Escrow Agent may resign at any time from its obligations under this Agreement by providing written notice to the parties hereto. Such resignation shall be effective on the date set forth in such written notice, which shall be no earlier than thirty (30) days after such written notice has been furnished. In the event no successor escrow agent has been appointed on or prior to the date such resignation is to become effective, the Escrow Agent shall be entitled to tender into the custody of any court of competent jurisdiction all funds and other property then held by it hereunder and shall thereupon be relieved of all further duties and obligations under this Agreement. Escrow Agent shall have no responsibility for the appointment of a successor escrow agent hereunder.

12. Sponsor shall have the right to require the Escrow Agent to resign as Escrow Agent upon giving not less than thirty (30) days written notice, in which case Sponsor shall appoint a successor Escrow Agent.

13. The Sponsor agrees to pay to the Escrow Agent compensation, and to reimburse the Escrow Agent for costs and expenses, all in accordance with the provisions of Exhibit B hereto, which is incorporated herein by reference and made a part hereof.

14. The Sponsor agrees to indemnify and hold harmless the Escrow Agent and each of the Escrow Agent's officers, directors, agents and employees (the "Indemnified Parties") from and against any and all losses, liabilities, claims, damages, expenses and costs (including attorneys' fees) of every nature whatsoever which any such Indemnified Party may incur and which arise directly or indirectly from this Agreement or which arise directly or indirectly by virtue of the Escrow Agent's undertaking to serve as Escrow Agent hereunder; provided, however, that no Indemnified Party shall be entitled to indemnity in case of such Indemnified Party's gross negligence or willful misconduct. The provisions of this section shall survive the termination of this Agreement and any resignation or removal of the Escrow Agent.

15. The Escrow Agent shall have no duty or responsibility for determining whether the offer and sale of the residency arrangements described herein or the terms and provisions of this Agreement comply with the provisions of any applicable state or Federal law or regulation, including but not limited to the Act or regulations thereunder. The Sponsor represents and warrants to the Escrow Agent that it has obtained and relied upon the advice of legal counsel with respect to all such matters. The Sponsor further represents and warrants that the offer and sale of the residency arrangements described herein and the terms and provisions of this Agreement and each binding resident's agreement comply in all respects with all such applicable state and Federal laws and regulations. The Escrow Agent has not participated in the preparation or review of any sales or offering material relating to the residency arrangements described in this Agreement. No sales or offering literature or material utilized in connection with the offer and sale of the residency arrangements described herein shall contain the name Truist Bank or any variation thereof, except for the limited purpose of identifying the Escrow Agent as

escrow agent under the terms of this Agreement. In addition to other indemnities provided for in this Agreement, the Sponsor shall indemnify and hold harmless the Escrow Agent and each of its officers, directors, agents and employees from and against all claims, liabilities, losses and damages (including attorneys' fees) incurred by the Escrow Agent or such persons and which directly or indirectly result from any violation or alleged violation of any such state or Federal laws.

16. Any and all notices, requests, demands and other communications given under or in connection with this Agreement ("Notice") shall be effective only if in writing addressed to the address of the recipient set forth below or such other address provided by the recipient and shall be deemed delivered by (i) hand delivery upon receipt, (ii) registered mail or certified mail, return receipt requested, postage prepaid, upon delivery to the address indicated in the Notice, (iii) by confirmed electronic mail (with confirmed read receipt) when sent, or (iv) overnight courier (next business day delivery) on the next business day after it is sent:

Sponsor:

Arbor Acres United Methodist Retirement Community, Inc.  
Attn: Vice President and CFO  
1240 Arbor Road  
Winston-Salem, NC 27104  
P 336.724.7921 ext. 1222  
F 336.721.0271

Escrow Agent:

Truist Bank  
Attn: Escrow Services  
Mail Code: VA-HDQ-1205  
919 East Main Street, 5th Floor  
Richmond, Virginia 23219  
Client Manager: Byron Roldan  
Phone: 804-782-5404  
Facsimile: 804-225-7141

**No notice, request, demand, or other communication hereunder shall be deemed effective as to the Escrow Agent unless in writing delivered in strict accordance with the provisions hereof or prior to the Escrow Agent's actual receipt thereof.**

17. Contemporaneously with the execution and delivery of this Agreement and, if necessary, from time to time thereafter, the Sponsor shall execute and deliver to the Escrow Agent a Certificate of Incumbency substantially in the form of Exhibit A hereto (a "Certificate of Incumbency") for the purpose of establishing the identity and authority of persons entitled to issue notices, instructions or

directions to the Escrow Agent on behalf of the Sponsor. Until such time as the Escrow Agent shall receive an amended Certificate of Incumbency replacing any Certificate of Incumbency theretofore delivered to the Escrow Agent, the Escrow Agent shall be fully protected in relying, without further inquiry, on the most recent Certificate of Incumbency furnished to the Escrow Agent. Whenever this Agreement provides for written notices, written instructions or other actions to be delivered to the Escrow Agent, the Escrow Agent shall be fully protected in relying, without further inquiry, on any written notice, instructions or action executed by persons named in such Certificate of Incumbency. This Agreement may be modified or amended only upon the written consent of both Sponsor and the Escrow Agent. Neither this Agreement nor any interest herein may be transferred or assigned without the express written consent of each of the parties hereto.

18. If anyone or more of the covenants or agreements provided in this Agreement shall be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and constructed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

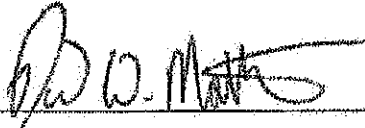
19. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument. Electronic, PDF or facsimile versions of this Agreement shall have the same legal effect as originals, and all of which, when fully executed, shall constitute one and the same instrument.

20. This Agreement shall be construed and enforced in accordance with the laws of the State of North Carolina.

*[signature page follows]*

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of the date and year first written above.

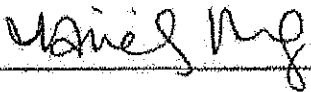
**Arbor Acres United Methodist Retirement Community, Inc., AS SPONSOR**

By: 

Name: David W. Matthews, CPA

Title: Chief Financial Officer

**Truist, AS ESCROW AGENT**

By: 

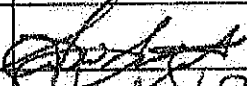
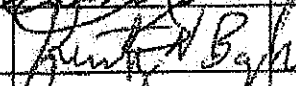
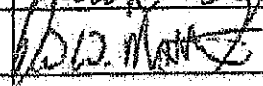
Title: Vice President

**EXHIBIT A**

**Certificate of Incumbency  
(List of Authorized Representatives)**

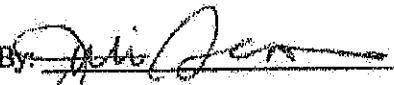
Client Name: Arbor Acres United Methodist Retirement Community, Inc.

As an Authorized Officer of the above referenced entity, I hereby certify that each person listed below is an authorized signor for such entity, and that the title and signature appearing beside each name is true and correct.

Name	Title	Signature	Phone Number(s)	Email Address
Andrew W. Applegate	President and CEO		336.724.7921 x1216	<a href="mailto:aapplegate@arboracres.org">aapplegate@arboracres.org</a>
Kenneth W. Boyles	VP and COO		336.724.7921 x1419	<a href="mailto:kboyles@arboracres.org">kboyles@arboracres.org</a>
David W. Matthews	VP and CFO		336.724.7921 x1222	<a href="mailto:dmatthews@arboracres.org">dmatthews@arboracres.org</a>

IN WITNESS WHEREOF, this certificate has been executed by a duly authorized officer on:

Date: 6/18/2020

By: 

Name: JULIE SENNEMA

Its: CORPORATE SECRETARY

**Exhibit B**

**Truist, as Escrow Agent FEES PAYABLE TO ESCROW AGENT**

**Acceptance/Legal Review Fee:**      **\$1,000.00** – one time only payable at the time of signing the Escrow Agreement

(Fee is waived if no legal review is needed)

The Legal Review Fee includes review of all related documents and accepting the appointment of Escrow Agent on behalf of Truist Bank. The fee also includes setting up the required account(s) and accounting records, document filing, and coordinating the receipt of funds/assets for deposit to the Escrow Account. This is a one-time fee payable upon execution of the Escrow Agreement. As soon as Truist Bank's attorney begins to review the Escrow Agreement, the legal review fee is subject to payment regardless if the Parties decide to appoint a different escrow agent or a decision is made that the Escrow Agreement is not needed.

**Administration Fee:**                      **\$3,500** – payable at the time of signing the Escrow Agreement and on the anniversary date thereafter, if applicable

The Administration Fee includes providing routine and standard services of an Escrow Agent. The fee includes administering the escrow account, performing investment transactions, processing cash transactions (including wires and check processing), disbursing funds in accordance with the Agreement (note any pricing considerations below), and providing trust account statements to the Parties for a twelve (12) month period. If the account remains open beyond the twelve (12) month term, the Parties will be invoiced each year on the anniversary date of the execution of the Escrow Agreement. Extraordinary expenses, including legal counsel fees, will be billed as out-of-pocket. The Administration Fee is due upon execution of the Escrow Agreement. The fees shall be deemed earned in full upon receipt by the Escrow Agent, and no portion shall be refundable for any reason, including without limitation, termination of the agreement.

**Out-of-Pocket Expenses:**              **At Cost**

Out-of-pocket expenses such as, but not limited to, postage, courier, overnight mail, wire transfer, travel, legal (out-of-pocket to counsel) or accounting, will be billed at cost.

NORTH CAROLINA )  
 )  
FORSYTH COUNTY )

A G R E E M E N T

THIS AGREEMENT is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ (“Resident”) and ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC., a North Carolina nonprofit corporation (“Arbor Acres”). Where there are two people signing this Agreement as a resident of Arbor Acres, “Resident” shall apply to both people, unless the context otherwise requires.

Resident has applied and been approved for residency at Arbor Acres in \_\_\_\_\_, (*house or apartment*) (the “Accommodation”), and has received a copy of Arbor Acres’ Disclosure Statement, dated \_\_\_\_\_ (the “Disclosure Statement”).

Resident and Arbor Acres agree to the following:

1. Entrance Fee and Monthly Service Fee.

Resident agrees to pay Arbor Acres an entrance fee of \_\_\_\_\_ (\$\_\_\_\_\_) (the “Entrance Fee”), of which \_\_\_\_\_ (\$\_\_\_\_\_) is nonrefundable (the “Nonrefundable Fee”). Resident has the following payment options: (a) pay the Entrance Fee in full upon execution of this Agreement, or (b) pay 25% of the total Entrance Fee (\$\_\_\_\_\_) upon execution of this Agreement, with the balance to be paid no later than five (5) days prior to the Residency Date (as defined in Section 3 below). Resident does not acquire any ownership interest in the Accommodation as a result of payment of the Entrance Fee.

Resident agrees to pay the initial monthly service fee (the “Monthly Service Fee”), which is the established monthly fee as of the date on this Agreement, and which is subject to change from time to time. Rates are typically adjusted January 1<sup>st</sup> of each year. For a partial first month, Resident shall pay a pro-rated amount of the Monthly Service Fee, on a per diem basis. Gratuities or bequests in addition to the established Monthly Service Fee shall not be accepted. As of the date of this Agreement, the Monthly Service Fee associated with the Accommodation will be:



Monthly Service Fee

Monthly Service Fee for Resident (includes dining allowance plan) \$ \_\_\_\_\_  
(current value of dining allowance is \$ \_\_\_\_\_)

Monthly Service Fee for 2<sup>nd</sup> Resident occupying Accommodation, if applicable (includes dining allowance plan) \$ \_\_\_\_\_

Total Monthly Service Fee for Accommodation \$ \_\_\_\_\_

2. Monthly Statements.

Arbor Acres will furnish Resident a monthly statement with the total amount of the Monthly Service Fee and other charges, if any, owed by Resident. Resident shall pay such fees and charges by the 10<sup>th</sup> day of the month. If Resident's payment is late, Arbor Acres may charge Resident a one and one-half percent (1.5%) interest fee per month, from the first of the month in which the payment is late. Upon thirty (30) days' advance written notice, Arbor Acres may change the billing date and payment due date. Arbor Acres shall have the right to offset against any Entrance Fee repayment any unpaid Monthly Service Fees or other charges owed by Resident to Arbor Acres.

3. Initial Occupancy.

Arbor Acres anticipates having the Accommodation ready for occupancy by \_\_\_\_\_. Resident is not required to move into the Accommodation before it is ready for occupancy, or before the expiration of thirty (30) days from the date of this Agreement, whichever is later. Resident plans to move into the Accommodation on or before \_\_\_\_\_ (the "Occupancy Date"). If Resident should wish to change the Occupancy Date, Resident will advise Arbor Acres immediately (on or before the Occupancy Date). Upon receipt of Resident's request, and if Arbor Acres determines that another date is feasible, Arbor Acres will undertake to work out with Resident another mutually agreeable Occupancy Date. Resident agrees to pay Arbor Acres' Monthly Service Fees and other charges for use of the Accommodation from the earlier of (a) the date of actual occupancy (the first night of residency or when personal property is moved into the Accommodation) or (b) \_\_\_\_\_ (the "Residency Date"). Resident has selected all interior finishes (paint colors, carpeting and floor covering as may be necessary to prepare the Accommodation for Resident) and has advised Arbor Acres of those selections.

4. Resident's Right to Rescind or Cancel Within the First Thirty (30) Days or Resident's Failure to Move to Arbor Acres.

(a) Within thirty (30) days following the later of the execution of this Agreement or delivery of the Disclosure Statement (the "Rescission Period"), Resident may rescind this Agreement by delivering to Arbor Acres a signed, written notice of rescission. Resident is not required to move into the Accommodation during the Rescission Period. If Resident dies before occupying the Accommodation, or if, on account of illness, injury or incapacity Resident should be precluded from occupying the Accommodation, this Agreement shall be automatically cancelled. If this Agreement is neither rescinded nor cancelled and Resident fails to move to Arbor Acres by the Residency Date, this Agreement may be terminated by Arbor Acres or Resident upon written notice to the other.

(b) If Resident rescinds this Agreement, this Agreement is automatically cancelled as described in Section 4(a) above or Resident fails to move to Arbor Acres by the Residency Date and this Agreement is terminated by either Arbor Acres or Resident, Resident or Resident's legal representative will receive a refund of the Entrance Fee, less the following: (i) the Nonrefundable Fee; (ii) any Monthly Service Fees or other costs charged for the time Resident shall have resided at Arbor Acres; and (iii) those nonstandard costs specifically incurred by Arbor Acres at the request of Resident and described in a signed addendum to this Agreement. Payment of the refund is to be made from the Entrance Fee received by Arbor Acres from the next occupant of the Accommodation.

5. Refund Upon Termination of Residency After the First 30 Days and Within 50 Months.

If Resident, for any reason, vacates and permanently terminates residency at Arbor Acres after the Rescission Period and within fifty (50) months following the Residency Date, Resident shall be entitled to a refund of the Entrance Fee. This refund shall be determined as follows: upon receiving payment of an Entrance Fee from an acceptable substitute resident for Resident's Accommodation, Arbor Acres will refund to Resident (or to Resident's estate) the amount of Resident's Entrance Fee less the following: (a) the Nonrefundable Fee; (b) two percent (2%) of the remainder (the Entrance Fee less the Nonrefundable Fee) for each month, from the month of the Residency Date to the Date of Termination of Occupancy (as defined in Section 6 below), up to the full refundable amount of Resident's Entrance Fee (for this purpose, one-half month or more shall be considered as a full month; less than one-half month shall be disregarded); (c) any unpaid Monthly Service Fees, costs or other obligations of

Resident to Arbor Acres; and (d) those nonstandard costs specifically incurred by Arbor Acres at the request of Resident and described in a signed addendum to this Agreement. Payment of the refund is to be made from the Entrance Fee received by Arbor Acres from the next occupant of the Accommodation. Resident shall receive no refund if Resident's final termination of all rights of residency at Arbor Acres occurs after the fifty (50) month period following the Residency Date.

6. Notice of Termination of Occupancy.

If after moving to Arbor Acres and the expiration of the Rescission Period, Resident should decide to terminate this Agreement and residency at Arbor Acres, Resident will give Arbor Acres a minimum of thirty (30) days advance written notice stating the date on which Resident plans to terminate residency. This Agreement, and Resident's obligation to pay the Monthly Service Fee and other charges, shall continue in effect until Resident vacates the Accommodation and removes all personal property from the premises or until the end of the thirty (30) day notice period, whichever is later (the "Date of Termination of Occupancy"). If Resident permanently vacates the Accommodation, Arbor Acres reserves the right to remove Resident's personal property from the Accommodation and store such personal property, and Resident shall be responsible for the reasonable costs of such removal and storage. Unclaimed personal property will become the property of Arbor Acres after thirty (30) days, and Arbor Acres may dispose of such personal property in its sole discretion.

7. Transfer to a Higher Level of Care Within 90 Days.

If within ninety (90) days after the Residency Date, Resident transfers to Arbor Acres' assisted living facility (the "Assisted Living Facility") or Arbor Acres' skilled nursing facility (the "Skilled Nursing Facility"), Resident will be entitled to a refund, which will be calculated as set out in Section 5 above. Resident shall not be required to pay an additional Entrance Fee on transferring to the Assisted Living Facility or the Skilled Nursing Facility.

8. Terms and Conditions of Initial Residency and Continued Residency.

Resident shall have the right to occupy the Accommodation and to reside at Arbor Acres subject to the provisions of this Agreement and subject to the following understandings, terms and conditions:

(a) *Health and Financial Qualification for Residency*

At the time of the execution of this Agreement, Arbor Acres has determined that Resident qualifies for residency both with respect to mental and physical condition and ability to take care of the anticipated Monthly Service Fees and other charges. Resident must continue to meet these qualifications at the time Resident enters Arbor Acres. If Resident is not qualified to occupy the Accommodation, but is qualified (financially and otherwise) to reside in other accommodations at Arbor Acres, Resident shall be entitled to such accommodation when space permits.

(b) *Financial Obligation Including Obligation to Pay Fees and Charges*

In order to operate Arbor Acres on a fiscally sound, nonprofit basis, Arbor Acres has established fees and charges, which are subject to modification from time to time as deemed necessary and appropriate by Arbor Acres. Resident agrees to pay when due all required fees and charges. Resident has received from Arbor Acres a schedule of current fees and charges.

Resident agrees to provide, if requested, periodic financial statements and current financial information for the purpose of demonstrating capacity to meet financial obligations to Arbor Acres. Should Resident experience financial difficulty that might result in Resident's immediate or eventual inability to meet the financial obligations under this Agreement, including any spend down of assets that might result from payment of expected fees and charges to Arbor Acres, Resident will inform Arbor Acres immediately, and submit a current financial statement. Resident and, if appropriate, Resident's responsible party, and Arbor Acres shall discuss and, if possible, agree on a plan by which Resident's financial obligation to Arbor Acres can be met. Residents whose funds are depleted primarily through payment of fees associated with residency, to include costs associated with their medical care, may be eligible for consideration for financial assistance through Arbor Acres. Such assistance, however, is conditional upon demonstration that other options for fulfilling this financial obligation to Arbor Acres have been explored and deemed impracticable by either party. When Resident is deemed eligible for financial assistance through Arbor Acres, Arbor Acres, to the extent of its available resources dedicated for financial assistance, will attempt to furnish financial assistance when it is needed. Termination of residency for Resident's inability to fulfill the financial obligations incurred under

this Agreement shall be an option exercised as necessary to assure the financial viability of Arbor Acres and of its financial assistance program.

(c) *Rights and Obligations During Temporary Absence*

Temporary absence because of illness, trips or otherwise shall not affect Resident's right to retain the Accommodation as Resident's place of residency. However, Resident shall not be entitled to an adjustment of Arbor Acres' Monthly Service Fee and other charges during such absence, and Resident shall continue to be charged and to pay such Monthly Service Fee and charges during such absence.

(d) *Requirement of Compliance with Recommendations for Additional Services or Care*

If Resident shall incur a physical or mental illness or impairment so that Resident requires additional services or a higher level of care than is available at the Accommodation, Arbor Acres, through its nursing and continuing care staffs ("Nursing and Continuing Care Staffs"), will make recommendations regarding appropriate additional service options and/or options for transfer to a higher level of care. Resident agrees (i) that Arbor Acres is obligated to assure the care and safety of residents and, (ii) that Resident will comply with Nursing and Continuing Care Staffs' recommendations regarding additional services or transfer to a higher level of care. If such additional services or higher level of care can be provided in a different accommodation at Arbor Acres, Resident has a right, and may be required by Arbor Acres, to move to such accommodation. Arbor Acres will recommend and require such a move or additional services when, in the judgment of Arbor Acres, it is necessary and in the best interest of Resident, Arbor Acres and/or the other residents of Arbor Acres. Before any such move or additional services are required, Arbor Acres will discuss the matter with Resident and/or Resident's responsible party in an effort to secure Resident's understanding and cooperation with the required additional services or change of accommodation or level of care. Resident and/or Resident's responsible party shall have the right to appeal a decision to change Resident's accommodation and/or level of care in accordance with the provisions of (i) below.

(e) *Requirement of Compliance With Policies, Rules and Regulations*

In order to operate Arbor Acres in the best interest of the entire Arbor Acres community, Arbor Acres has established policies, rules and regulations relating to residency, which are subject to modification from time to

time as deemed appropriate by Arbor Acres. Resident has received information as to the current policies, rules and regulations in the Disclosure Statement and in other written information provided by Arbor Acres. Arbor Acres reserves the right to make or change policies, rules and regulations, and will use its reasonable efforts to communicate through appropriate means to all residents the substance and content of such additions or changes; also, copies of particular policies, rules and regulations relating to residency will be furnished to Resident on request. Resident agrees to comply with Arbor Acres' policies, rules and regulations applicable to Resident's residency in Arbor Acres.

(f) *Cooperation of Responsible Parties and Other Associates*

Resident understands and agrees that, in order for Arbor Acres to operate in the best interest of both Resident and the entire Arbor Acres community, Arbor Acres must have the cooperation of Resident's family, friends, responsible parties and other associates to comply with Arbor Acres' applicable policies, rules and regulations. Any continuing or repeated failure or refusal by any such persons to so cooperate and comply may result in a determination by Arbor Acres that it is no longer feasible for Arbor Acres to accommodate Resident as a resident. Upon such determination, Arbor Acres will have a right to terminate Resident's residency at Arbor Acres.

(g) *Termination of Residency for Health Conditions Beyond Arbor Acres' Capacity to Serve*

If Resident's physical and/or mental condition or needs cannot be legally or adequately served by the facilities or programs available at Arbor Acres, or Resident requires or insists upon receiving care that in the judgment of Arbor Acres exceeds the capacity of Arbor Acres to provide within the limits of its staffing pattern or other available resources, Arbor Acres reserves the right to terminate Resident's residency. If such a circumstance arises, Arbor Acres will discuss the matter thoroughly with Resident and/or Resident's responsible party in an effort to determine a course of action in Resident's best interest. Arbor Acres will provide guidance and transitional support to Resident and/or Resident's responsible party to facilitate an orderly transfer of Resident to another, more appropriate facility or setting.

(h) *Termination of Residency for Behavior Deemed Harmful to Arbor Acres*

If Resident is deemed competent and capable of controlling his or her behaviors and engages in behaviors deemed by the President/CEO to be disruptive, hostile, illegal, or otherwise harmful to others or to Arbor Acres, Arbor Acres reserves the right to terminate Resident's residency. If such a circumstance arises, Arbor Acres will discuss the matter thoroughly with Resident to provide Resident with knowledge of the behaviors deemed intolerable by Arbor Acres. Arbor Acres will provide Resident a written warning to desist from the behavior or any similarly disruptive, hostile, illegal or harmful behavior. Upon determination that Resident is continuing to engage in the behaviors against which Resident has been warned, Arbor Acres will have the right to terminate Resident's residency at Arbor Acres.

(i) *Right of Appeal of Transfer or Termination Decisions*

While Arbor Acres reserves the right to terminate Resident's residency at Arbor Acres for failure to comply with (b), (d), (e), (f), (g) or (h) above, or for failure to comply with any other provision of this Agreement, Arbor Acres shall exercise such right only after first attempting to work out satisfactory solutions with Resident and/or Resident's responsible party. If agreement cannot be reached between the President/CEO and Resident and/or Resident's responsible party, the President/CEO will refer the matter to the Executive Committee of the Board of Directors of Arbor Acres (the "Executive Committee") for hearing and decision. The Executive Committee shall afford Resident an opportunity to be heard, and shall render a decision with respect to the matter referred to it. The decision of the Executive Committee shall be put in writing and shall be signed by the Chair of the Board of Directors of Arbor Acres (the "Chair") or, in the absence of the Chair, the Chair Elect of the Board of Directors of Arbor Acres. It is understood and agreed that the written, signed decision of the Executive Committee shall be final and binding.

(j) *Terms and Conditions of Initial Residency and Continued Residency*

Arbor Acres reserves the right to relocate Resident to another accommodation when deemed necessary in order for Arbor Acres to fulfill its strategic financial and other obligations to the Arbor Acres community. Arbor Acres will exercise this right only when all other reasonable options to avoid relocating Resident have been considered. Arbor Acres will use reasonable efforts

to relocate Resident to an accommodation of the same or similar type as Resident's Accommodation. Any such decision to relocate Resident will be discussed thoroughly with Resident in order to enlist Resident's understanding of the need for and cooperation with the relocation. Arbor Acres will pay all required packing and moving costs, and all reasonable refurbishing costs necessary to achieve substantial comparability between the Accommodation and any new accommodation to which Resident may be relocated. Any decision to relocate Resident for the sake of enabling Arbor Acres to fulfill its strategic financial and other obligations to the Arbor Acres community may be appealed to the Executive Committee as outlined in (i) above.

(k) *Termination of Residency If Listed on a Sex Offender Registry*

Resident hereby acknowledges that it is the policy of Arbor Acres to conduct sex offender screening for every prospective resident, regardless of independent status or level of care, at the time of application for admission to Arbor Acres and again prior to entering into a Residency Agreement. If the screening shows that the prospective resident is identified as a sex offender, Arbor Acres will deny admission of Resident on that basis and not execute a Residency Agreement. In addition, Resident hereby acknowledges and agrees that if, after Arbor Acres and Resident have entered into a Residency Agreement, Arbor Acres becomes aware that Resident is listed on any sex offender registry, Arbor Acres may terminate this Agreement with Resident and remove Resident from Arbor Acres. If there is more than one resident who is a party to this Agreement, the termination of this Agreement in such instance shall only apply to the resident listed on the sex offender registry.

(l) *Healthcare Outside of Arbor Acres*

Arbor Acres assumes no obligation or responsibility for the provision of residential or nursing or health care facilities or services to Resident beyond those facilities and services from time to time established and provided by Arbor Acres.

(m) *Personal Belongings*

Arbor Acres will not be responsible for the loss of or damage to any property belonging to Resident due to theft, mysterious disappearance, fire, employee accident, or any other cause. It is understood that Resident has the responsibility of providing any desired insurance protection covering any such loss.



9. Standard Services to be Provided.

Arbor Acres agrees to provide standard services to Resident at no additional cost beyond the Monthly Service Fee, and has informed Resident of these services and other services through written information available to all residents. At the time of execution of this Agreement, the standard services include:

- (1) Maintenance of buildings and grounds, including maintenance of all standard equipment in the Accommodation;
- (2) Utilities, as described below;
- (3) Basic cable television and internet service;
- (4) Telephone jacks;
- (5) Emergency call system, nursing assessments and assistance in emergencies;
- (6) Routine consultation regarding health concerns with nursing personnel in the health clinic of Arbor Acres;
- (7) Recreational, educational, cultural, wellness and spiritual life programs, to the extent provided by Arbor Acres;
- (8) Transportation to routine, non-emergency medical appointments within Forsyth County (transportation by ambulance not included);
- (9) In-patient care in the Arbor Acres Health Center for a limited number of days;
- (10) Weekly housekeeping and annual deep cleaning of the Accommodation;
- (11) Laundering of bed and bath linens furnished by Arbor Acres;
- (12) Security personnel on duty in the Arbor Acres Welcome Center; and
- (13) Dining services with meals or a meal allowance, as included in the Monthly Service Fee.

Water and sewer services are included in the Monthly Service Fee. Electricity and gas is also included, except for residents in accommodations that are individually metered who are billed directly by the gas and electricity service providers. Resident has been informed that the Accommodation [is (is not)] individually metered. Resident has been informed in writing of the terms applicable to Resident's meal plan.

Other services that are available and included in the Monthly Service Fee are a daily, automatic check-in system, check-cashing services, package shipping, access to washers/dryers and complete kitchens and sitting areas.

Arbor Acres may also make available to Resident additional services, at Resident's request, at the then prevailing rates charged by Arbor Acres, which may be changed from time to time at the discretion of Arbor Acres.

Arbor Acres residents pay Monthly Service Fees and other charges to cover services provided by Arbor Acres. At least annually, during budget preparation, Arbor Acres reviews services and costs of operation, and the need for any changes in services or in Arbor Acres' schedule of fees and charges. Arbor Acres reserves the right to change, when deemed necessary, the services provided to residents and the associated fees and charges. Arbor Acres will strive to deliver services efficiently and economically.

10. Alterations and Refurbishment.

Resident must obtain the prior written approval of Arbor Acres before making any alterations to the Accommodation. Customary refurbishment costs of the Accommodation that are provided by Arbor Acres in accordance with its policies and procedures are included in the Monthly Service Fee. Any refurbishment costs beyond Arbor Acres' customary refurbishment costs shall be the responsibility of Resident.

11. Transfer to Higher Level of Care.

Resident shall have priority over non-residents for entry into the Assisted Living Facility or the Skilled Nursing Facility. Although Arbor Acres cannot guarantee Resident entry into the Assisted Living Facility or the Skilled Nursing Facility, Arbor Acres will use its reasonable efforts to accommodate Resident's entry. If Resident requires a higher level of care, and the Assisted Living Facility and the Skilled Nursing Facility are fully occupied, Resident shall relocate to an alternate healthcare facility. In the event of such relocation, Arbor Acres will use reasonable efforts to transfer Resident to the Assisted Living Facility or the Skilled Nursing Facility when accommodations become available. Resident shall be responsible for all fees, costs and expenses. If Resident's transfer to the Assisted Living Facility, the Skilled Nursing Facility or an alternate healthcare facility is temporary, Resident shall remain responsible for the Monthly Service Fee; however, Resident shall not be responsible for the Monthly Service Fee if such relocation is permanent. In the event that there are two Residents in the

Accommodation, and only one Resident permanently transfers to a higher level of care, the remaining Resident will pay the Monthly Service Fee for single occupancy in addition to all other costs and charges.

12. Application for Benefits; Assignment of Benefits.

Resident shall apply for any federal, state or local benefits for which Resident may be eligible or entitled upon request by Arbor Acres. If requested by Arbor Acres, any or all such benefits will be applied to the Monthly Service Fee or other charges incurred by Resident at Arbor Acres.

13. Health Insurance.

Resident shall maintain eligible Medicare coverage (and supplemental health insurance coverage) or other health insurance coverage that adequately covers hospital, medical, prescriptions and skilled nursing deductibles and co-payments required under Resident's primary insurance policy. Resident's primary and secondary insurance coverage must recognize Arbor Acres as a healthcare provider, or Resident shall be responsible for services rendered that otherwise could be covered by insurance.

If Resident's health insurance coverage lapses, Arbor Acres may require Resident to reapply for suitable insurance coverage. If Resident is unable to obtain suitable insurance coverage, Resident shall be responsible for any healthcare services rendered that otherwise could be covered by insurance. Upon request by Arbor Acres, Resident shall provide evidence of health insurance coverage.

14. Medicare-Certified Skilled Nursing Facility Beds.

Arbor Acres maintains a limited number of Medicare-certified beds in the Skilled Nursing Facility, which are available for use by residents whose skilled nursing care would qualify for Medicare payment on an "if and as available" basis. In the event that Resident needs admission and the admission would qualify for Medicare payment, then Resident's financial responsibility to Arbor Acres will depend upon the type of Medicare coverage that Resident has and whether Arbor Acres is a contractual provider for Resident's coverage.

(a) *Medicare-certified bed is not available.*

In the event that there is not a Medicare-certified bed at Arbor Acres at the time that Resident requires admission, then Resident may either choose to

obtain skilled nursing care services at another healthcare facility at Resident's cost until such time as a Medicare-certified bed becomes available at Arbor Acres (presuming that Resident would use a facility that could provide a Medicare-certified bed) or be admitted to a bed in the Skilled Nursing Facility at Resident's cost which is not certified to accept Medicare payment until such time as a Medicare-certified bed becomes available at Arbor Acres.

- (b) *Medicare-certified bed is available and Resident has traditional Medicare.*

If Resident is admitted to a Medicare-certified bed in the Skilled Nursing Facility and Resident has traditional Medicare coverage, Arbor Acres will accept the Medicare reimbursement amount for such care while Resident shall be responsible for any applicable deductible, co-payment and/or co-insurance amounts that are not paid by Medicare and any supplemental Medicare insurance that Resident maintains.

- (c) *Medicare-certified bed is available and Resident has Medicare Advantage coverage for which Arbor Acres is an in-network provider.*

In the event that Arbor Acres is an in-network provider for Resident's Medicare Advantage coverage, then Arbor Acres will accept the reimbursement amount from Resident's Medicare Advantage insurance carrier while Resident shall be responsible for any deductible, co-payment and/or co-insurance amounts that are not paid by the Medicare Advantage insurance that Resident maintains.

- (d) *Medicare-certified bed is available and Resident has Medicare Advantage coverage for which Arbor Acres is not an in-network provider.*

Arbor Acres will charge Resident the full private-payment amount for Resident's admission into a Medicare-certified bed and credit against Resident's financial obligation to Arbor Acres the amount that is paid by Resident's Medicare Advantage insurance if the insurance provides an out-of-network benefit. In the event that Resident's Medicare Advantage insurance will not pay any amount to an out-of-network provider, then Resident will not be admitted to a Medicare-certified bed at Arbor Acres. A full private-pay Resident in a Medicare-certified bed may be required by Arbor Acres to relocate to a bed that is not Medicare certified when such a bed becomes available.

15. United Methodist Affiliation.

Arbor Acres is affiliated with the Western North Carolina Annual Conference of The United Methodist Church, which is not responsible for the financial and contractual obligations of Arbor Acres.

16. Required Documents.

Resident agrees to keep in effect an appropriate Durable Power of Attorney or other designation of responsible party, and agrees to provide copies of the following documents to Arbor Acres by the first day of residency, and deliver any changes to such documents to Arbor Acres during Resident's residency at Arbor Acres: (a) health insurance coverage information; (b) copy of current Durable Power of Attorney for business management; (c) copy of current Health Care Power of Attorney and Living Will; and (d) evidence of the executor or other legally responsible person of Resident's estate, such as a copy of Resident's will documenting the name of the executor of his or her estate.

17. Multiple Residents.

(a) *Joint and Several Liability*

When Resident includes more than one individual, the rights and obligations under this Agreement are joint and several.

(b) *Transfer, Death or Termination by One Resident*

If two Residents occupy a single Accommodation under the terms of this Agreement and one Resident permanently transfers to the Assisted Living Facility or the Skilled Nursing Facility, dies or terminates this Agreement, this Agreement shall continue with respect to the remaining Resident, and such Resident shall have the option to remain in the same Accommodation or relocate to a smaller accommodation, and in such event the remaining Resident shall not be entitled to any refund. The remaining Resident shall be responsible for the Monthly Service Fee for one resident associated with the Accommodation occupied by such Resident.

(c) *Sharing Occupancy After Entry*

If Resident, while occupying the Accommodation, desires to share an accommodation with another resident of Arbor Acres, the two residents may

occupy the accommodation of either resident, with the prior written consent of Arbor Acres. In such event, the residents shall surrender the other accommodation and no refund shall be paid for such surrender. Thereafter, Resident and the other resident shall pay the Monthly Service Fee associated with the occupied accommodation for double occupancy.

If Resident, while occupying the Accommodation, desires to share an accommodation with a person who is not a resident of Arbor Acres (the "Non-Resident"), the Non-Resident must meet the then current requirements for admission to Arbor Acres, enter into the then current version of the Residency Agreement, and pay the then current second person entrance fee. Thereafter, Resident and the new resident shall pay the Monthly Service Fee associated with the occupied accommodation for double occupancy. If the Non-Resident does not meet the requirements contained in this paragraph, Resident may voluntarily terminate this Agreement as provided in this Agreement. If Resident subsequently transfers to the Assisted Living Facility or the Skilled Nursing Facility, dies or terminates this Agreement, the new resident shall be responsible to pay the full, then-current Entrance Fee for the Accommodation occupied by such new resident, less the second person entrance fee previously paid by the new resident.

(d) *Combination of Accommodation*

If Arbor Acres determines that it is desirable to combine the Accommodation with an adjoining accommodation, Resident agrees to surrender occupancy of the Accommodation within a reasonable time after receiving notice from Arbor Acres. In such event, Resident shall have the option to transfer into the combined accommodation when ready for occupancy or transfer to another accommodation, when available, of the same or similar type previously occupied by Resident. If Resident elects to occupy the combined accommodation, Resident shall be responsible for the Monthly Service Fee associated with occupancy of such accommodation.

18. Moving Costs.

Resident is responsible for any and all packing and moving costs incurred by Resident for moves into, within and out of Arbor Acres, except as provided in Section 8(j) above. Arbor Acres may provide assistance at an additional cost. Arbor Acres reserves the right to charge an administrative fee for Resident's move within Arbor Acres.

19. Entire Agreement.

This Agreement, together with any Arbitration Agreement between Resident and Arbor Acres, contain the entire agreement of Arbor Acres and Resident. Arbor Acres will not be liable or bound in any manner by any statements, representations, or promises made by any person representing or claiming to represent Arbor Acres, unless such statements, representations, or promises are set forth in this Agreement.

20. Capacity.

This Agreement has been executed on behalf of Arbor Acres by Arbor Acres' duly authorized agent, and no officer, trustee, agent or employee of Arbor Acres shall have any personal liability to Resident under this Agreement.

21. Amendments and Modifications.

This Agreement shall not be modified, amended or changed in any respect except in writing signed by Arbor Acres and Resident. Each waives any right to amend this Agreement in any other way. Notwithstanding the foregoing, Arbor Acres may amend this Agreement to ensure compliance with applicable laws and regulations.

22. Waiver.

Neither the failure nor any delay on the part of any party to exercise any right, remedy, power or privilege ("Right") under this Agreement shall operate as a waiver thereof, nor shall any single or partial waiver of any Right preclude any exercise of the same or of any other Right. No waiver shall be in effect unless in writing and signed by the party asserted to have granted such waiver.

23. Severability.

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

24. Interpretation.

The headings in this Agreement are for convenience and reference only, and shall not affect the interpretation of any provision of this Agreement.

25. Successors and Assigns.

Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of Arbor Acres and the heirs, executors, responsible parties, attorneys-in-fact and administrators of Resident.

26. Assignment.

This Agreement may not be assigned by Resident.

27. Indemnity.

Resident agrees to indemnify, defend and hold Arbor Acres harmless from any and all claims, damages or expenses (including reasonable attorneys' fees and court costs) resulting or arising from any injury or death to persons and/or damages caused by, resulting from or attributable to or in any way connected with, directly or indirectly, the act or omission of Resident or Resident's guests, including private duty nurses, companions or others. This Section 27 shall survive termination of this Agreement.

28. Governing Law; Venue; Disputes.

This Agreement shall be governed by, interpreted, construed and enforced in accordance with the laws of the State of North Carolina, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of laws or any jurisdiction other than North Carolina. Except to the extent that the parties have agreed to an alternative mechanism for the resolution of a dispute, to the full extent permitted by law, any action, suit or proceeding arising out of or relating to this Agreement shall be brought and enforced in the courts of the State of North Carolina located in Forsyth County or of the United States District Court for the Middle District of North Carolina, and the parties hereby irrevocably submit to the exclusive jurisdiction of such courts and irrevocably waive any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in such courts. In the event of any such dispute, the non-prevailing party shall pay all reasonable costs, expenses and attorneys' fees incurred by the prevailing party.



29. Survival.

Those rights and obligations that have accrued under this Agreement shall survive its termination, as shall those rights and obligations that by their terms survive termination and any provisions that must survive to give effect to their terms, as shall any obligation of Resident to pay costs or expenses of his or her residency at Arbor Acres that remain unpaid as of such termination.

30. Management of Arbor Acres.

The absolute rights of management are reserved by Arbor Acres and its Board of Directors. Arbor Acres reserves the right to accept or reject any person as a resident. Residents do not have the right to determine admission or terms of acceptance of any other resident.

31. Uncontrollable Interruption of Services.

No breach of Arbor Acres' obligations under this Agreement and no liability for injury to Resident or Resident's property shall result from an interruption of, or failure to provide, contracted services due to an act of God or other cause beyond the reasonable control of Arbor Acres, specifically including (without limitation) strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquakes, inclement weather or acts of the Resident. Arbor Acres shall make reasonable efforts to continue to provide the usual services in such event.

32. Confidentiality.

Arbor Acres has the responsibility to keep all of the personal, medical, and financial information Resident has supplied to Arbor Acres confidential. Resident agrees that Arbor Acres can disclose such information to those who have a need, in Arbor Acres' judgment, or right to know.

33. Rights Subordinate to Mortgage.

Pursuant to the requirements of any lender, Resident agrees that Resident's rights under this Agreement are subordinate to the right of the lender under any mortgage, deed of trust or security interest executed now or in the future by Arbor Acres.

34. Notice Provisions.

Notices required by this Agreement will be in writing and delivered either by personal delivery or mail. If delivered by mail, notices will be sent by certified or registered mail, return receipt requested, with all postage and charges prepaid. Notices and other communications will be deemed to have been given when delivered by personal delivery or if mailed, such notice shall be deemed to have been given on the third business day after being deposited in the United States mail, postage prepaid. All notices and other written communications required under this Agreement will be addressed to Resident or to Resident's personal representative at the address provided to Arbor Acres. Notices shall be sent to us at the following address:

Arbor Acres United Methodist Retirement Community, Inc.  
1240 Arbor Road  
Winston-Salem, NC 27104  
Attention: President and CEO

Resident's address for the purpose of giving notice is the address appearing after Resident's signature below or such other address Resident provides to Arbor Acres in writing.

[Signature Page Follows]

IL Contract

Resident has executed this Agreement and Arbor Acres has caused this Agreement to be executed in its name by a duly authorized person as of the day and year written above.

\_\_\_\_\_  
Resident Name: \_\_\_\_\_

Resident Address:

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
City, State & Zip Code

ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC.

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

Title: \_\_\_\_\_

*Signature Page to Arbor Acres Independent Living Residency Agreement*

NORTH CAROLINA )  
 )  
FORSYTH COUNTY )

A G R E E M E N T

THIS AGREEMENT is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ (“Resident”) and ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC., a North Carolina nonprofit corporation (“Arbor Acres”).

Resident has applied and been approved for residency at Arbor Acres in \_\_\_\_\_, room number \_\_\_\_\_ (the “Accommodation”), and has received a copy of Arbor Acres’ Disclosure Statement, dated \_\_\_\_\_ (the “Disclosure Statement”).

Resident and Arbor Acres agree to the following:

1. Entrance Fee and Daily Fee.

The Entrance Fee established by Arbor Acres for residency in Arbor Acres’ assisted living facility (the “Assisted Living Facility”), where it is anticipated Resident will reside, is TWO THOUSAND EIGHT HUNDRED DOLLARS AND NO/100 Dollars (\$2,800.00) (the “Entrance Fee”), the amount being paid by Resident herewith in full. (The Entrance Fee is separate and distinct from Arbor Acres’ fees and charges to residents for food, maintenance, medical, nursing and other services.) The Entrance Fee for residency in the Assisted Living Facility is a non-refundable fee except as provided in Section 5. If Resident moves to an independent living unit, the Entrance Fee will be applied toward the Entrance Fee for that unit as provided in Section 7(l).

Resident agrees to pay the initial daily fee (the “Daily Fee”), which is the established daily fee as of the date on this Agreement, and which is subject to change from time to time. Rates are typically adjusted January 1<sup>st</sup> of each year. Gratuities or bequests in addition to the established Daily Fee shall not be accepted. As of the date of this Agreement, the Daily Fee associated with the Accommodation will be:

Daily Fee

Daily Fee for Resident (includes meals, laundry and utilities) \$ \_\_\_\_\_

2. Monthly Statements.

Arbor Acres will furnish Resident a monthly statement with the total amount of the Daily Fee and other charges, if any, owed by Resident. Resident shall pay such fees and charges by the 10<sup>th</sup> day of the month. If Resident's payment is late, Arbor Acres may charge Resident a one and one-half percent (1.5%) interest fee per month, from the first of the month in which the payment is late. Upon thirty (30) days' advance written notice, Arbor Acres may change the billing date and payment due date. Arbor Acres shall have the right to offset against any Entrance Fee repayment any unpaid Daily Fees or other charges owed by Resident to Arbor Acres.

3. Room Assignment.

Resident understands that Resident acquires no ownership interest in any property at Arbor Acres under this Agreement; also, that no particular room or unit in the Assisted Living Facility is subject to reservation or permanent assignment, and that Arbor Acres may change Resident's room assignment in the Assisted Living Facility. Though Arbor Acres retains the right to change Resident's room assignment, Arbor Acres agrees that it will make changes only as Arbor Acres finds such changes to be necessary or advisable.

4. Initial Occupancy.

Arbor Acres anticipates having the Accommodation ready for occupancy by \_\_\_\_\_. Resident is not required to move into the Accommodation before it is ready for occupancy, or before the expiration of thirty (30) days from the date of this Agreement, whichever is later. Resident plans to move into the Accommodation on or before \_\_\_\_\_ (the "Occupancy Date"). If Resident should wish to change the Occupancy Date, Resident will advise Arbor Acres immediately (on or before the Occupancy Date). Upon receipt of Resident's request, and if Arbor Acres determines that another date is feasible, Arbor Acres will undertake to work out with Resident another mutually agreeable Occupancy Date. Resident agrees to pay Arbor Acres' Daily Fees and other charges for use of the Accommodation from the earlier of (a) the date of actual occupancy (the first night of residency or when personal property is moved into the Accommodation) or (b) \_\_\_\_\_ (the "Residency Date").

5. Resident's Right to Rescind or Cancel Within the First Thirty (30) Days or Resident's Failure to Move to Arbor Acres.

(a) Within thirty (30) days following the later of the execution of this Agreement or delivery of the Disclosure Statement (the "Rescission Period"), Resident may rescind this Agreement by delivering to Arbor Acres a signed, written notice of rescission. Resident is not required to move into the Accommodation during the Rescission Period. If Resident dies before occupying the Accommodation, or if, on account of illness, injury or incapacity Resident should be precluded from occupying the Accommodation, this Agreement shall be automatically cancelled. If this Agreement is neither rescinded nor cancelled and Resident fails to move to Arbor Acres by the Residency Date, this Agreement may be terminated by Arbor Acres or Resident upon written notice to the other.

(b) If Resident rescinds this Agreement, this Agreement is automatically cancelled as described in Section 5(a) above or Resident fails to move to Arbor Acres by the Residency Date and this Agreement is terminated by either Arbor Acres or Resident, Resident or Resident's legal representative will receive a refund of the Entrance Fee, less the following: (i) any Daily Fees or other costs charged for the time Resident shall have resided at Arbor Acres; and (ii) those nonstandard costs specifically incurred by Arbor Acres at the request of Resident and described in a signed addendum to this Agreement. Payment of the refund is to be made from the Entrance Fee received by Arbor Acres from the next occupant of the Accommodation.

6. Notice of Termination of Occupancy.

If after moving to Arbor Acres and the expiration of the Rescission Period, Resident should decide to terminate this Agreement and residency at Arbor Acres, Resident will give Arbor Acres a minimum of fourteen (14) days advance written notice stating the date on which Resident plans to terminate residency. This Agreement, and Resident's obligation to pay the Daily Fee and other charges, shall continue in effect until Resident vacates the Accommodation or until the end of the fourteen (14) day notice period, whichever is later (the "Date of Termination of Occupancy"). If Resident permanently vacates the Accommodation, Arbor Acres reserves the right to remove Resident's personal property from the Accommodation and store such personal property, and Resident shall be responsible for the reasonable costs of such removal and storage. Unclaimed personal property will become the property of Arbor Acres after thirty (30) days, and Arbor Acres may dispose of such personal property in its sole discretion.

7. Terms and Conditions of Initial Residency and Continued Residency.

Resident shall have the right to occupy the Accommodation and to reside at Arbor Acres subject to the provisions of this Agreement and subject to the following understandings, terms and conditions:

(a) *Health and Financial Qualification for Residency*

At the time of the execution of this Agreement, Arbor Acres has determined that Resident qualifies for residency both with respect to mental and physical condition and ability to take care of the anticipated Daily Fees and other charges. Resident must continue to meet these qualifications at the time Resident enters Arbor Acres. If Resident is not qualified to occupy the Accommodation, but is qualified (financially and otherwise) to reside in other accommodations at Arbor Acres, Resident shall be entitled to such accommodation when space permits.

(b) *Financial Obligation Including Obligation to Pay Fees and Charges*

In order to operate Arbor Acres on a fiscally sound, nonprofit basis, Arbor Acres has established fees and charges, which are subject to modification from time to time as deemed necessary and appropriate by Arbor Acres. Resident agrees to pay when due all required fees and charges. Resident has received from Arbor Acres a schedule of current fees and charges.

Resident agrees to provide, if requested, periodic financial statements and current financial information for the purpose of demonstrating capacity to meet financial obligations to Arbor Acres. Should Resident experience financial difficulty that might result in Resident's immediate or eventual inability to meet the financial obligations under this Agreement, including any spend down of assets that might result from payment of expected fees and charges to Arbor Acres, Resident will inform Arbor Acres immediately, and submit a current financial statement. Resident and, if appropriate, Resident's responsible party, and Arbor Acres shall discuss and, if possible, agree on a plan by which Resident's financial obligation to Arbor Acres can be met. Residents whose funds are depleted primarily through payment of fees associated with residency, to include costs associated with their medical care, may be eligible for consideration for financial assistance through Arbor Acres. Such assistance, however, is conditional upon demonstration that other options for fulfilling this financial obligation to Arbor

Acres have been explored and deemed impracticable by either party. When Resident is deemed eligible for financial assistance through Arbor Acres, Arbor Acres, to the extent of its available resources dedicated for financial assistance, will attempt to furnish financial assistance when it is needed. Termination of residency for Resident's inability to fulfill the financial obligations incurred under this Agreement shall be an option exercised as necessary to assure the financial viability of Arbor Acres and of its financial assistance program.

(c) *Rights and Obligations During Temporary Absence*

Temporary absence because of illness, trips or otherwise shall not affect Resident's right to retain the Accommodation as Resident's place of residency. However, Resident shall not be entitled to an adjustment of Arbor Acres' Daily Fee and other charges during such absence, and Resident shall continue to be charged and to pay such Daily Fee and charges during such absence.

(d) *Requirement of Compliance with Recommendations for Additional Services or Care*

If Resident shall incur a physical or mental illness or impairment so that Resident requires additional services or a higher level of care than is available at the Accommodation, Arbor Acres, through its nursing and continuing care staffs ("Nursing and Continuing Care Staffs"), will make recommendations regarding appropriate additional service options and/or options for transfer to a higher level of care. Resident agrees (i) that Arbor Acres is obligated to assure the care and safety of residents and, (ii) that Resident will comply with Nursing and Continuing Care Staffs' recommendations regarding additional services or transfer to a higher level of care. If such additional services or higher level of care can be provided in a different accommodation at Arbor Acres, Resident has a right, and may be required by Arbor Acres, to move to such accommodation. Arbor Acres will recommend and require such a move or additional services when, in the judgment of Arbor Acres, it is necessary and in the best interest of Resident, Arbor Acres and/or the other residents of Arbor Acres. Before any such move or additional services are required, Arbor Acres will discuss the matter with Resident and/or Resident's responsible party in an effort to secure Resident's understanding and cooperation with the required additional services or change of accommodation or level of care. Resident and/or Resident's responsible party shall have the right to appeal a decision to change Resident's accommodation and/or level of care in accordance with the provisions of (i) below.



(e) *Requirement of Compliance With Policies, Rules and Regulations*

In order to operate Arbor Acres in the best interest of the entire Arbor Acres community, Arbor Acres has established policies, rules and regulations relating to residency, which are subject to modification from time to time as deemed appropriate by Arbor Acres. Resident has received information as to the current policies, rules and regulations in the Disclosure Statement and in other written information provided by Arbor Acres. Arbor Acres reserves the right to make or change policies, rules and regulations, and will use its reasonable efforts to communicate through appropriate means to all residents the substance and content of such additions or changes; also, copies of particular policies, rules and regulations relating to residency will be furnished to Resident on request. Resident agrees to comply with Arbor Acres' policies, rules and regulations applicable to Resident's residency in Arbor Acres.

(f) *Cooperation of Responsible Parties and Other Associates*

Resident understands and agrees that, in order for Arbor Acres to operate in the best interest of both Resident and the entire Arbor Acres community, Arbor Acres must have the cooperation of Resident's family, friends, responsible parties and other associates to comply with Arbor Acres' applicable policies, rules and regulations. Any continuing or repeated failure or refusal by any such persons to so cooperate and comply may result in a determination by Arbor Acres that it is no longer feasible for Arbor Acres to accommodate Resident as a resident. Upon such determination, Arbor Acres will have a right to terminate Resident's residency at Arbor Acres.

(g) *Termination of Residency for Health Conditions Beyond Arbor Acres' Capacity to Serve*

If Resident's physical and/or mental condition or needs cannot be legally or adequately served by the facilities or programs available at Arbor Acres, or Resident requires or insists upon receiving care that in the judgment of Arbor Acres exceeds the capacity of Arbor Acres to provide within the limits of its staffing pattern or other available resources, Arbor Acres reserves the right to terminate Resident's residency. If such a circumstance arises, Arbor Acres will discuss the matter thoroughly with Resident and/or Resident's responsible party in an effort to determine a course of action in Resident's best interest. Arbor Acres will provide guidance and transitional support to Resident and/or Resident's responsible party to facilitate an orderly transfer of Resident to another, more appropriate facility or setting.

(h) *Termination of Residency for Behavior Deemed Harmful to Arbor Acres*

If Resident is deemed competent and capable of controlling his or her behaviors and engages in behaviors deemed by the President/CEO to be disruptive, hostile, illegal, or otherwise harmful to others or to Arbor Acres, Arbor Acres reserves the right to terminate Resident's residency. If such a circumstance arises, Arbor Acres will discuss the matter thoroughly with Resident to provide Resident with knowledge of the behaviors deemed intolerable by Arbor Acres. Arbor Acres will provide Resident a written warning to desist from the behavior or any similarly disruptive, hostile, illegal or harmful behavior. Upon determination that Resident is continuing to engage in the behaviors against which Resident has been warned, Arbor Acres will have the right to terminate Resident's residency at Arbor Acres.

(i) *Right of Appeal of Transfer or Termination Decisions*

While Arbor Acres reserves the right to terminate Resident's residency at Arbor Acres for failure to comply with (b), (d), (e), (f), (g) or (h) above, or for failure to comply with any other provision of this Agreement, Arbor Acres shall exercise such right only after first attempting to work out satisfactory solutions with Resident and/or Resident's responsible party. If agreement cannot be reached between the President/CEO and Resident and/or Resident's responsible party, the President/CEO will refer the matter to the Executive Committee of the Board of Directors of Arbor Acres (the "Executive Committee") for hearing and decision. The Executive Committee shall afford Resident an opportunity to be heard, and shall render a decision with respect to the matter referred to it. The decision of the Executive Committee shall be put in writing and shall be signed by the Chair of the Board of Directors of Arbor Acres (the "Chair") or, in the absence of the Chair, the Chair Elect of the Board of Directors of Arbor Acres. It is understood and agreed that the written, signed decision of the Executive Committee shall be final and binding.

(j) *Terms and Conditions of Initial Residency and Continued Residency*

Arbor Acres reserves the right to relocate Resident to another accommodation when deemed necessary in order for Arbor Acres to fulfill its strategic financial and other obligations to the Arbor Acres community. Arbor Acres will exercise this right only when all other reasonable options to avoid

relocating Resident have been considered. Arbor Acres will use reasonable efforts to relocate Resident to an accommodation of the same or similar type as Resident's Accommodation. Any such decision to relocate Resident will be discussed thoroughly with Resident in order to enlist Resident's understanding of the need for and cooperation with the relocation. Arbor Acres will pay all required packing and moving costs, and all reasonable refurbishing costs necessary to achieve substantial comparability between the Accommodation and any new accommodation to which Resident may be relocated. Any decision to relocate Resident for the sake of enabling Arbor Acres to fulfill its strategic financial and other obligations to the Arbor Acres community may be appealed to the Executive Committee as outlined in (i) above.

(k) *Termination of Residency If Listed on a Sex Offender Registry*

Resident hereby acknowledges that it is the policy of Arbor Acres to conduct sex offender screening for every prospective resident, regardless of independent status or level of care, at the time of application for admission to Arbor Acres and again prior to entering into a Residency Agreement. If the screening shows that the prospective resident is identified as a sex offender, Arbor Acres will deny admission of Resident on that basis and not execute a Residency Agreement. In addition, Resident hereby acknowledges and agrees that if, after Arbor Acres and Resident have entered into a Residency Agreement, Arbor Acres becomes aware that Resident is listed on any sex offender registry, Arbor Acres may terminate this Agreement with Resident and remove Resident from Arbor Acres.

(l) *Relocation to Independent Living*

If Resident's health should improve sufficiently to permit Resident to live in a residential unit at Arbor Acres other than in Arbor Acres' skilled nursing facility (the "Skilled Nursing Facility") or the Assisted Living Facility, such a move may be made subject to availability of a unit, payment of the entrance fee established for the unit, less the Entrance Fee, and execution of an appropriate Independent Living Residency Agreement.

(m) *Healthcare Outside of Arbor Acres*

Arbor Acres assumes no obligation or responsibility for the provision of residential or nursing or health care facilities or services to Resident beyond those facilities and services from time to time established and provided by Arbor Acres.

(n) *Personal Belongings*

Arbor Acres will not be responsible for the loss of or damage to any property belonging to Resident due to theft, mysterious disappearance, fire, employee accident, or any other cause. It is understood that Resident has the responsibility of providing any desired insurance protection covering any such loss.

8. Standard Services to be Provided.

Arbor Acres agrees to provide standard services to Resident at no additional cost beyond the Daily Fee, and has informed Resident of these services and other services through written information available to all residents. At the time of execution of this Agreement, the standard services include:

- (1) Nursing supervision (in accordance with regulatory standards; does not include private duty or individual nurse for each resident), prescribed medication administration and assistance with activities of daily living;
- (2) Maintenance of buildings and grounds, including maintenance of all standard equipment in the Accommodation;
- (3) Utilities, as described below;
- (4) Basic cable television and internet service;
- (5) Telephone jacks; emergency call system, and assistance in emergencies;
- (6) Recreational, educational, cultural, wellness and spiritual life programs, to the extent provided by Arbor Acres;
- (7) Transportation to routine, non-emergency medical appointments within Forsyth County (transportation by ambulance not included);
- (8) In-patient care in the Arbor Acres Health Center for a limited number of days;
- (9) Daily housekeeping and annual deep cleaning of the Accommodation;
- (10) Laundering of bed and bath linens furnished by Arbor Acres;
- (11) Laundering of personal clothing (washing, drying and folding, not ironing or dry cleaning);
- (12) Security personnel on duty in the Arbor Acres Welcome Center; and
- (13) Food service (3 meals daily).

Water and sewer services are included in the Daily Fee. Electricity and gas is also included.

Arbor Acres may also make available to Resident additional services, at Resident's request, at the then prevailing rates charged by Arbor Acres, which may be changed from time to time at the discretion of Arbor Acres.

Arbor Acres residents pay Daily Fees and other charges to cover services provided by Arbor Acres. At least annually, during budget preparation, Arbor Acres reviews services and costs of operation, and the need for any changes in services or in Arbor Acres' schedule of fees and charges. Arbor Acres reserves the right to change, when deemed necessary, the services provided to residents and the associated fees and charges. Arbor Acres will strive to deliver services efficiently and economically.

9. Transfer to Higher Level of Care.

Resident shall have priority over non-residents for entry into the Skilled Nursing Facility. Although Arbor Acres cannot guarantee Resident entry into the Skilled Nursing Facility, Arbor Acres will use its reasonable efforts to accommodate Resident's entry. If Resident requires a higher level of care, and the Skilled Nursing Facility is fully occupied or unable to provide such higher level of care, Resident shall relocate to an alternate healthcare facility. In the event of such relocation, Arbor Acres will use reasonable efforts to transfer Resident to the Skilled Nursing Facility when accommodations become available. Resident shall be responsible for all fees, costs and expenses. If Resident's transfer to the Skilled Nursing Facility or an alternate healthcare facility is temporary, Resident shall remain responsible for the Daily Fee; however, Resident shall not be responsible for the Daily Fee if such relocation is permanent. If Resident transfers to the Skilled Nursing Facility, Resident shall not be required to pay an additional Entrance Fee on transferring to the Skilled Nursing Facility.

10. Application for Benefits; Assignment of Benefits.

Resident shall apply for any federal, state or local benefits for which Resident may be eligible or entitled upon request by Arbor Acres. If requested by Arbor Acres, any or all such benefits will be applied to the Daily Fee or other charges incurred by Resident at Arbor Acres.

11. Health Insurance.

Resident shall maintain eligible Medicare coverage (and supplemental health insurance coverage) or other health insurance coverage that adequately covers hospital, medical, prescriptions and skilled nursing deductibles and co-payments required under Resident's primary insurance policy. Resident's primary and secondary insurance coverage must recognize Arbor Acres as a healthcare provider, or Resident shall be responsible for services rendered that otherwise could be covered by insurance.

If Resident's health insurance coverage lapses, Arbor Acres may require Resident to reapply for suitable insurance coverage. If Resident is unable to obtain suitable insurance coverage, Resident shall be responsible for any healthcare services rendered that otherwise could be covered by insurance. Upon request by Arbor Acres, Resident shall provide evidence of health insurance coverage.

12. Medicare-Certified Skilled Nursing Facility Beds.

Arbor Acres maintains a limited number of Medicare-certified beds in the Skilled Nursing Facility, which are available for use by residents whose skilled nursing care would qualify for Medicare payment on an "if and as available" basis. In the event that Resident needs admission and the admission would qualify for Medicare payment, then Resident's financial responsibility to Arbor Acres will depend upon the type of Medicare coverage that Resident has and whether Arbor Acres is a contractual provider for Resident's coverage.

(a) *Medicare-certified bed is not available.*

In the event that there is not a Medicare-certified bed at Arbor Acres at the time that Resident requires admission, then Resident may either choose to obtain skilled nursing care services at another healthcare facility at Resident's cost until such time as a Medicare-certified bed becomes available at Arbor Acres (presuming that Resident would use a facility that could provide a Medicare-certified bed) or be admitted to a bed in the Skilled Nursing Facility at Resident's cost which is not certified to accept Medicare payment until such time as a Medicare-certified bed becomes available at Arbor Acres.

- (b) *Medicare-certified bed is available and Resident has traditional Medicare.*

If Resident is admitted to a Medicare-certified bed in the Skilled Nursing Facility and Resident has traditional Medicare coverage, Arbor Acres will accept the Medicare reimbursement amount for such care while Resident shall be responsible for any applicable deductible, co-payment and/or co-insurance amounts that are not paid by Medicare and any supplemental Medicare insurance that Resident maintains.

- (c) *Medicare-certified bed is available and Resident has Medicare Advantage coverage for which Arbor Acres is an in-network provider.*

In the event that Arbor Acres is an in-network provider for Resident's Medicare Advantage coverage, then Arbor Acres will accept the reimbursement amount from Resident's Medicare Advantage insurance carrier while Resident shall be responsible for any deductible, co-payment and/or co-insurance amounts that are not paid by the Medicare Advantage insurance that Resident maintains.

- (d) *Medicare-certified bed is available and Resident has Medicare Advantage coverage for which Arbor Acres is not an in-network provider.*

Arbor Acres will charge Resident the full private-payment amount for Resident's admission into a Medicare-certified bed and credit against Resident's financial obligation to Arbor Acres the amount that is paid by Resident's Medicare Advantage insurance if the insurance provides an out-of-network benefit. In the event that Resident's Medicare Advantage insurance will not pay any amount to an out-of-network provider, then Resident will not be admitted to a Medicare-certified bed at Arbor Acres. A full private-pay Resident in a Medicare-certified bed may be required by Arbor Acres to relocate to a bed that is not Medicare certified when such a bed becomes available.

### 13. United Methodist Affiliation.

Arbor Acres is affiliated with the Western North Carolina Annual Conference of The United Methodist Church, which is not responsible for the financial and contractual obligations of Arbor Acres.

14. Required Documents.

Resident agrees to keep in effect an appropriate Durable Power of Attorney or other designation of responsible party, and agrees to provide copies of the following documents to Arbor Acres by the first day of residency, and deliver any changes to such documents to Arbor Acres during Resident's residency at Arbor Acres: (a) health insurance coverage information; (b) copy of current Durable Power of Attorney for business management; (c) copy of current Health Care Power of Attorney and Living Will; and (d) evidence of the executor or other legally responsible person of Resident's estate, such as a copy of Resident's will documenting the name of the executor of his or her estate.

15. Moving Costs.

Resident is responsible for any and all packing and moving costs incurred by Resident for moves into, within and out of Arbor Acres, except as provided in Section 7(j) above. Arbor Acres may provide assistance at an additional cost. Arbor Acres reserves the right to charge an administrative fee for Resident's move within Arbor Acres.

16. Entire Agreement.

This Agreement, together with any Arbitration Agreement between Resident and Arbor Acres, contain the entire agreement of Arbor Acres and Resident. Arbor Acres will not be liable or bound in any manner by any statements, representations, or promises made by any person representing or claiming to represent Arbor Acres, unless such statements, representations, or promises are set forth in this Agreement.

17. Capacity.

This Agreement has been executed on behalf of Arbor Acres by Arbor Acres' duly authorized agent, and no officer, trustee, agent or employee of Arbor Acres shall have any personal liability to Resident under this Agreement.

18. Amendments and Modifications.

This Agreement shall not be modified, amended or changed in any respect except in writing signed by Arbor Acres and Resident. Each waives any right to amend this Agreement in any other way. Notwithstanding the foregoing,



Arbor Acres may amend this Agreement to ensure compliance with applicable laws and regulations.

19. Waiver.

Neither the failure nor any delay on the part of any party to exercise any right, remedy, power or privilege (“Right”) under this Agreement shall operate as a waiver thereof, nor shall any single or partial waiver of any Right preclude any exercise of the same or of any other Right. No waiver shall be in effect unless in writing and signed by the party asserted to have granted such waiver.

20. Severability.

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

21. Interpretation.

The headings in this Agreement are for convenience and reference only, and shall not affect the interpretation of any provision of this Agreement.

22. Successors and Assigns.

Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of Arbor Acres and the heirs, executors, responsible parties, attorneys-in-fact and administrators of Resident.

23. Assignment.

This Agreement may not be assigned by Resident.

24. Indemnity.

Resident agrees to indemnify, defend and hold Arbor Acres harmless from any and all claims, damages or expenses (including reasonable attorneys’ fees and court costs) resulting or arising from any injury or death to persons and/or damages caused by, resulting from or attributable to or in any way connected with, directly or indirectly, the act or omission of Resident or Resident’s guests, including private duty nurses, companions or others. This Section 24 shall survive termination of this Agreement.

25. Governing Law; Venue; Disputes.

This Agreement shall be governed by, interpreted, construed and enforced in accordance with the laws of the State of North Carolina, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of laws or any jurisdiction other than North Carolina. Except to the extent that the parties have agreed to an alternative mechanism for the resolution of a dispute, to the full extent permitted by law, any action, suit or proceeding arising out of or relating to this Agreement shall be brought and enforced in the courts of the State of North Carolina located in Forsyth County or of the United States District Court for the Middle District of North Carolina, and the parties hereby irrevocably submit to the exclusive jurisdiction of such courts and irrevocably waive any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in such courts. In the event of any such dispute, the non-prevailing party shall pay all reasonable costs, expenses and attorneys' fees incurred by the prevailing party.

26. Survival.

Those rights and obligations that have accrued under this Agreement shall survive its termination, as shall those rights and obligations that by their terms survive termination and any provisions that must survive to give effect to their terms, as shall any obligation of Resident to pay costs or expenses of his or her residency at Arbor Acres that remain unpaid as of such termination.

27. Management of Arbor Acres.

The absolute rights of management are reserved by Arbor Acres and its Board of Directors. Arbor Acres reserves the right to accept or reject any person as a resident. Residents do not have the right to determine admission or terms of acceptance of any other resident.

28. Uncontrollable Interruption of Services.

No breach of Arbor Acres' obligations under this Agreement and no liability for injury to Resident or Resident's property shall result from an interruption of, or failure to provide, contracted services due to an act of God or other cause beyond the reasonable control of Arbor Acres, specifically including (without limitation) strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood,

earthquakes, inclement weather or acts of the Resident. Arbor Acres shall make reasonable efforts to continue to provide the usual services in such event.

29. Confidentiality.

Arbor Acres has the responsibility to keep all of the personal, medical, and financial information Resident has supplied to Arbor Acres confidential. Resident agrees that Arbor Acres can disclose such information to those who have a need, in Arbor Acres' judgment, or right to know.

30. Rights Subordinate to Mortgage.

Pursuant to the requirements of any lender, Resident agrees that Resident's rights under this Agreement are subordinate to the right of the lender under any mortgage, deed of trust or security interest executed now or in the future by Arbor Acres.

31. Notice Provisions.

Notices required by this Agreement will be in writing and delivered either by personal delivery or mail. If delivered by mail, notices will be sent by certified or registered mail, return receipt requested, with all postage and charges prepaid. Notices and other communications will be deemed to have been given when delivered by personal delivery or if mailed, such notice shall be deemed to have been given on the third business day after being deposited in the United States mail, postage prepaid. All notices and other written communications required under this Agreement will be addressed to Resident or to Resident's personal representative at the address provided to Arbor Acres. Notices shall be sent to us at the following address:

Arbor Acres United Methodist Retirement Community, Inc.  
1240 Arbor Road  
Winston-Salem, NC 27104  
Attention: President and CEO

Resident's address for the purpose of giving notice is the address appearing after Resident's signature below or such other address Resident provides to Arbor Acres in writing.

[Signature Page Follows]

AL Contract

Resident has executed this Agreement and Arbor Acres has caused this Agreement to be executed in its name by a duly authorized person as of the day and year written above.

\_\_\_\_\_  
Resident Name: \_\_\_\_\_

Resident Address:

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
City, State & Zip Code

ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC.

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

Title: \_\_\_\_\_

*Signature Page to Arbor Acres Assisted Living Facility Residency Agreement*

NORTH CAROLINA )  
 )  
FORSYTH COUNTY )

A G R E E M E N T

THIS AGREEMENT is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ (“Resident”) and ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC., a North Carolina nonprofit corporation (“Arbor Acres”).

Resident has applied and been approved for residency at Arbor Acres in \_\_\_\_\_, room number \_\_\_\_\_ (the “Accommodation”), and has received a copy of Arbor Acres’ Disclosure Statement, dated \_\_\_\_\_ (the “Disclosure Statement”).

Resident and Arbor Acres agree to the following:

1. Entrance Fee and Daily Fee.

The Entrance Fee established by Arbor Acres for residency in Arbor Acres’ skilled nursing facility (the “Skilled Nursing Facility”), where it is anticipated Resident will reside, is TWO THOUSAND EIGHT HUNDRED DOLLARS AND NO/100 Dollars (\$2,800.00) (the “Entrance Fee”), the amount being paid by Resident herewith in full. (The Entrance Fee is separate and distinct from Arbor Acres’ fees and charges to residents for food, maintenance, medical, nursing and other services.) The Entrance Fee for residency in the Skilled Nursing Facility is a non-refundable fee except as provided in Section 5. If Resident moves to an independent living unit, the Entrance Fee will be applied toward the Entrance Fee for that unit as provided in Section 7(l).

Resident agrees to pay the initial daily fee (the “Daily Fee”), which is the established daily fee as of the date on this Agreement, and which is subject to change from time to time. Rates are typically adjusted January 1<sup>st</sup> of each year. Gratuities or bequests in addition to the established Daily Fee shall not be accepted. As of the date of this Agreement, the Daily Fee associated with the Accommodation will be:

**Daily Fee**

Daily Fee for Resident (includes meals, laundry and utilities) \$ \_\_\_\_\_

2. Monthly Statements.

Arbor Acres will furnish Resident a monthly statement with the total amount of the Daily Fee and other charges, if any, owed by Resident. Resident shall pay such fees and charges by the 10<sup>th</sup> day of the month. If Resident's payment is late, Arbor Acres may charge Resident a one and one-half percent (1.5%) interest fee per month, from the first of the month in which the payment is late. Upon thirty (30) days' advance written notice, Arbor Acres may change the billing date and payment due date. Arbor Acres shall have the right to offset against any Entrance Fee repayment any unpaid Daily Fees or other charges owed by Resident to Arbor Acres.

3. Room Assignment.

Resident understands that Resident acquires no ownership interest in any property at Arbor Acres under this Agreement; also, that no particular room or unit in the Skilled Nursing Facility is subject to reservation or permanent assignment, and that Arbor Acres may change Resident's room assignment in the Skilled Nursing Facility. Though Arbor Acres retains the right to change Resident's room assignment, Arbor Acres agrees that it will make changes only as Arbor Acres finds such changes to be necessary or advisable.

4. Initial Occupancy.

Arbor Acres anticipates having the Accommodation ready for occupancy by \_\_\_\_\_. Resident is not required to move into the Accommodation before it is ready for occupancy, or before the expiration of thirty (30) days from the date of this Agreement, whichever is later. Resident plans to move into the Accommodation on or before \_\_\_\_\_ (the "Occupancy Date"). If Resident should wish to change the Occupancy Date, Resident will advise Arbor Acres immediately (on or before the Occupancy Date). Upon receipt of Resident's request, and if Arbor Acres determines that another date is feasible, Arbor Acres will undertake to work out with Resident another mutually agreeable Occupancy Date. Resident agrees to pay Arbor Acres' Daily Fees and other charges for use of the Accommodation from the earlier of (a) the date of actual occupancy (the first night of residency or when personal property is moved into the Accommodation) or (b) \_\_\_\_\_ (the "Residency Date").

5. Resident's Right to Rescind or Cancel Within the First Thirty (30) Days or Resident's Failure to Move to Arbor Acres.

(a) Within thirty (30) days following the later of the execution of this Agreement or delivery of the Disclosure Statement (the "Rescission Period"), Resident may rescind this Agreement by delivering to Arbor Acres a signed, written notice of rescission. Resident is not required to move into the Accommodation during the Rescission Period. If Resident dies before occupying the Accommodation, or if, on account of illness, injury or incapacity Resident should be precluded from occupying the Accommodation, this Agreement shall be automatically cancelled. If this Agreement is neither rescinded nor cancelled and Resident fails to move to Arbor Acres by the Residency Date, this Agreement may be terminated by Arbor Acres or Resident upon written notice to the other.

(b) If Resident rescinds this Agreement, this Agreement is automatically cancelled as described in Section 5(a) above or Resident fails to move to Arbor Acres by the Residency Date and this Agreement is terminated by either Arbor Acres or Resident, Resident or Resident's legal representative will receive a refund of the Entrance Fee, less the following: (i) any Daily Fees or other costs charged for the time Resident shall have resided at Arbor Acres; and (ii) those nonstandard costs specifically incurred by Arbor Acres at the request of Resident and described in a signed addendum to this Agreement. Payment of the refund is to be made from the Entrance Fee received by Arbor Acres from the next occupant of the Accommodation.

6. Notice of Termination of Occupancy.

If after moving to Arbor Acres and the expiration of the Rescission Period, Resident should decide to terminate this Agreement and residency at Arbor Acres, Resident will give Arbor Acres a minimum of fourteen (14) days advance written notice stating the date on which Resident plans to terminate residency. This Agreement, and Resident's obligation to pay the Daily Fee and other charges, shall continue in effect until Resident vacates the Accommodation or until the end of the fourteen (14) day notice period, whichever is later (the "Date of Termination of Occupancy"). If Resident permanently vacates the Accommodation, Arbor Acres reserves the right to remove Resident's personal property from the Accommodation and store such personal property, and Resident shall be responsible for the reasonable costs of such removal and storage. Unclaimed personal property will become the property of Arbor Acres after thirty (30) days, and Arbor Acres may dispose of such personal property in its sole discretion.

7. Terms and Conditions of Initial Residency and Continued Residency.

Resident shall have the right to occupy the Accommodation and to reside at Arbor Acres subject to the provisions of this Agreement and subject to the following understandings, terms and conditions:

(a) *Health and Financial Qualification for Residency*

At the time of the execution of this Agreement, Arbor Acres has determined that Resident qualifies for residency both with respect to mental and physical condition and ability to take care of the anticipated Daily Fees and other charges. Resident must continue to meet these qualifications at the time Resident enters Arbor Acres. If Resident is not qualified to occupy the Accommodation, but is qualified (financially and otherwise) to reside in other accommodations at Arbor Acres, Resident shall be entitled to such accommodation when space permits.

(b) *Financial Obligation Including Obligation to Pay Fees and Charges*

In order to operate Arbor Acres on a fiscally sound, nonprofit basis, Arbor Acres has established fees and charges, which are subject to modification from time to time as deemed necessary and appropriate by Arbor Acres. Resident agrees to pay when due all required fees and charges. Resident has received from Arbor Acres a schedule of current fees and charges.

Resident agrees to provide, if requested, periodic financial statements and current financial information for the purpose of demonstrating capacity to meet financial obligations to Arbor Acres. Should Resident experience financial difficulty that might result in Resident's immediate or eventual inability to meet the financial obligations under this Agreement, including any spend down of assets that might result from payment of expected fees and charges to Arbor Acres, Resident will inform Arbor Acres immediately, and submit a current financial statement. Resident and, if appropriate, Resident's responsible party, and Arbor Acres shall discuss and, if possible, agree on a plan by which Resident's financial obligation to Arbor Acres can be met. Residents whose funds are depleted primarily through payment of fees associated with residency, to include costs associated with their medical care, may be eligible for consideration for financial assistance through Arbor Acres. Such assistance, however, is conditional upon demonstration that other options for fulfilling this financial obligation to Arbor



Acres have been explored and deemed impracticable by either party. When Resident is deemed eligible for financial assistance through Arbor Acres, Arbor Acres, to the extent of its available resources dedicated for financial assistance, will attempt to furnish financial assistance when it is needed. Termination of residency for Resident's inability to fulfill the financial obligations incurred under this Agreement shall be an option exercised as necessary to assure the financial viability of Arbor Acres and of its financial assistance program.

(c) *Rights and Obligations During Temporary Absence*

Temporary absence because of illness, trips or otherwise shall not affect Resident's right to retain the Accommodation as Resident's place of residency. However, Resident shall not be entitled to an adjustment of Arbor Acres' Daily Fee and other charges during such absence, and Resident shall continue to be charged and to pay such Daily Fee and charges during such absence.

(d) *Requirement of Compliance with Recommendations for Additional Services or Care*

If Resident shall incur a physical or mental illness or impairment so that Resident requires additional services or a higher level of care than is available at the Accommodation, Arbor Acres, through its nursing and continuing care staffs ("Nursing and Continuing Care Staffs"), will make recommendations regarding appropriate additional service options and/or options for transfer to a higher level of care. Resident agrees (i) that Arbor Acres is obligated to assure the care and safety of residents and, (ii) that Resident will comply with Nursing and Continuing Care Staffs' recommendations regarding additional services or transfer to a higher level of care. If such additional services or higher level of care can be provided in a different accommodation at Arbor Acres, Resident has a right, and may be required by Arbor Acres, to move to such accommodation. Arbor Acres will recommend and require such a move or additional services when, in the judgment of Arbor Acres, it is necessary and in the best interest of Resident, Arbor Acres and/or the other residents of Arbor Acres. Before any such move or additional services are required, Arbor Acres will discuss the matter with Resident and/or Resident's responsible party in an effort to secure Resident's understanding and cooperation with the required additional services or change of accommodation or level of care. Resident and/or Resident's responsible party shall have the right to appeal a decision to change Resident's accommodation and/or level of care in accordance with the provisions of (i) below.

(e) *Requirement of Compliance With Policies, Rules and Regulations*

In order to operate Arbor Acres in the best interest of the entire Arbor Acres community, Arbor Acres has established policies, rules and regulations relating to residency, which are subject to modification from time to time as deemed appropriate by Arbor Acres. Resident has received information as to the current policies, rules and regulations in the Disclosure Statement and in other written information provided by Arbor Acres. Arbor Acres reserves the right to make or change policies, rules and regulations, and will use its reasonable efforts to communicate through appropriate means to all residents the substance and content of such additions or changes; also, copies of particular policies, rules and regulations relating to residency will be furnished to Resident on request. Resident agrees to comply with Arbor Acres' policies, rules and regulations applicable to Resident's residency in Arbor Acres.

(f) *Cooperation of Responsible Parties and Other Associates*

Resident understands and agrees that, in order for Arbor Acres to operate in the best interest of both Resident and the entire Arbor Acres community, Arbor Acres must have the cooperation of Resident's family, friends, responsible parties and other associates to comply with Arbor Acres' applicable policies, rules and regulations. Any continuing or repeated failure or refusal by any such persons to so cooperate and comply may result in a determination by Arbor Acres that it is no longer feasible for Arbor Acres to accommodate Resident as a resident. Upon such determination, Arbor Acres will have a right to terminate Resident's residency at Arbor Acres.

(g) *Termination of Residency for Health Conditions Beyond Arbor Acres' Capacity to Serve*

If Resident's physical and/or mental condition or needs cannot be legally or adequately served by the facilities or programs available at Arbor Acres, or Resident requires or insists upon receiving care that in the judgment of Arbor Acres exceeds the capacity of Arbor Acres to provide within the limits of its staffing pattern or other available resources, Arbor Acres reserves the right to terminate Resident's residency. If such a circumstance arises, Arbor Acres will discuss the matter thoroughly with Resident and/or Resident's responsible party in an effort to determine a course of action in Resident's best interest. Arbor Acres will provide guidance and transitional support to Resident and/or Resident's responsible party to facilitate an orderly transfer of Resident to another, more appropriate facility or setting.

(h) *Termination of Residency for Behavior Deemed Harmful to Arbor Acres*

If Resident is deemed competent and capable of controlling his or her behaviors and engages in behaviors deemed by the President/CEO to be disruptive, hostile, illegal, or otherwise harmful to others or to Arbor Acres, Arbor Acres reserves the right to terminate Resident's residency. If such a circumstance arises, Arbor Acres will discuss the matter thoroughly with Resident to provide Resident with knowledge of the behaviors deemed intolerable by Arbor Acres. Arbor Acres will provide Resident a written warning to desist from the behavior or any similarly disruptive, hostile, illegal or harmful behavior. Upon determination that Resident is continuing to engage in the behaviors against which Resident has been warned, Arbor Acres will have the right to terminate Resident's residency at Arbor Acres.

(i) *Right of Appeal of Transfer or Termination Decisions*

While Arbor Acres reserves the right to terminate Resident's residency at Arbor Acres for failure to comply with (b), (d), (e), (f), (g) or (h) above, or for failure to comply with any other provision of this Agreement, Arbor Acres shall exercise such right only after first attempting to work out satisfactory solutions with Resident and/or Resident's responsible party. If agreement cannot be reached between the President/CEO and Resident and/or Resident's responsible party, the President/CEO will refer the matter to the Executive Committee of the Board of Directors of Arbor Acres (the "Executive Committee") for hearing and decision. The Executive Committee shall afford Resident an opportunity to be heard, and shall render a decision with respect to the matter referred to it. The decision of the Executive Committee shall be put in writing and shall be signed by the Chair of the Board of Directors of Arbor Acres (the "Chair") or, in the absence of the Chair, the Chair Elect of the Board of Directors of Arbor Acres. It is understood and agreed that the written, signed decision of the Executive Committee shall be final and binding.

(j) *Terms and Conditions of Initial Residency and Continued Residency*

Arbor Acres reserves the right to relocate Resident to another accommodation when deemed necessary in order for Arbor Acres to fulfill its strategic financial and other obligations to the Arbor Acres community. Arbor Acres will exercise this right only when all other reasonable options to avoid

relocating Resident have been considered. Arbor Acres will use reasonable efforts to relocate Resident to an accommodation of the same or similar type as Resident's Accommodation. Any such decision to relocate Resident will be discussed thoroughly with Resident in order to enlist Resident's understanding of the need for and cooperation with the relocation. Arbor Acres will pay all required packing and moving costs, and all reasonable refurbishing costs necessary to achieve substantial comparability between the Accommodation and any new accommodation to which Resident may be relocated. Any decision to relocate Resident for the sake of enabling Arbor Acres to fulfill its strategic financial and other obligations to the Arbor Acres community may be appealed to the Executive Committee as outlined in (i) above.

(k) *Termination of Residency If Listed on a Sex Offender Registry*

Resident hereby acknowledges that it is the policy of Arbor Acres to conduct sex offender screening for every prospective resident, regardless of independent status or level of care, at the time of application for admission to Arbor Acres and again prior to entering into a Residency Agreement. If the screening shows that the prospective resident is identified as a sex offender, Arbor Acres will deny admission of Resident on that basis and not execute a Residency Agreement. In addition, Resident hereby acknowledges and agrees that if, after Arbor Acres and Resident have entered into a Residency Agreement, Arbor Acres becomes aware that Resident is listed on any sex offender registry, Arbor Acres may terminate this Agreement with Resident and remove Resident from Arbor Acres.

(l) *Relocation to Independent Living or Assisted Living*

If Resident's health should improve sufficiently to permit Resident to live in other accommodations at Arbor Acres other than the Skilled Nursing Facility, such a move may be made subject to availability of an appropriate accommodation, payment of the entrance fee established for the accommodation, less the Entrance Fee, and execution of an appropriate Independent Living Residency Agreement or Assisted Living Residency Agreement (as applicable).

(m) *Healthcare Outside of Arbor Acres*

Arbor Acres assumes no obligation or responsibility for the provision of residential or nursing or health care facilities or services to Resident

beyond those facilities and services from time to time established and provided by Arbor Acres.

(n) *Personal Belongings*

Arbor Acres will not be responsible for the loss of or damage to any property belonging to Resident due to theft, mysterious disappearance, fire, employee accident, or any other cause. It is understood that Resident has the responsibility of providing any desired insurance protection covering any such loss.

8. Standard Services to be Provided.

Arbor Acres agrees to provide standard services to Resident at no additional cost beyond the Daily Fee, and has informed Resident of these services and other services through written information available to all residents. At the time of execution of this Agreement, the standard services include:

- (1) Nursing supervision (in accordance with regulatory standards; does not include private duty or individual nurse for each resident), prescribed medication administration and assistance with activities of daily living;
- (2) Maintenance of buildings and grounds, including maintenance of all standard equipment in the Accommodation;
- (3) Utilities, as described below;
- (4) Basic cable television and internet service;
- (5) Telephone jacks; emergency call system, and assistance in emergencies;
- (6) Recreational, educational, cultural, wellness and spiritual life programs, to the extent provided by Arbor Acres;
- (7) Transportation to routine, non-emergency medical appointments within Forsyth County (transportation by ambulance not included);
- (8) In-patient care in the Arbor Acres Health Center for a limited number of days;
- (9) Daily housekeeping and annual deep cleaning of the Accommodation;
- (10) Laundering of bed and bath linens furnished by Arbor Acres;
- (11) Laundering of personal clothing (washing, drying and folding, not ironing or dry cleaning);

- (12) Security personnel on duty in the Arbor Acres Welcome Center; and
- (13) Food service (3 meals daily).

Water and sewer services are included in the Daily Fee. Electricity and gas is also included.

Arbor Acres may also make available to Resident additional services, at Resident's request, at the then prevailing rates charged by Arbor Acres, which may be changed from time to time at the discretion of Arbor Acres.

Arbor Acres residents pay Daily Fees and other charges to cover services provided by Arbor Acres. At least annually, during budget preparation, Arbor Acres reviews services and costs of operation, and the need for any changes in services or in Arbor Acres' schedule of fees and charges. Arbor Acres reserves the right to change, when deemed necessary, the services provided to residents and the associated fees and charges. Arbor Acres will strive to deliver services efficiently and economically.

#### 9. Transfer to Another Level of Care.

Resident shall have priority over non-residents for entry into the Arbor Acres' assisted living facility (the "Assisted Living Facility"). Although Arbor Acres cannot guarantee Resident entry into the Assisted Living Facility, Arbor Acres will use its reasonable efforts to accommodate Resident's entry. If Resident requires a lower level of care, and the Assisted Living Facility is fully occupied or unable to provide such lower level of care, Resident shall relocate to an alternate healthcare facility. In the event of such relocation, Arbor Acres will use reasonable efforts to transfer Resident to the Assisted Living Facility when accommodations become available. Resident shall be responsible for all fees, costs and expenses. If Resident's transfer to the Assisted Living Facility or an alternate healthcare facility is temporary, Resident shall remain responsible for the Daily Fee; however, Resident shall not be responsible for the Daily Fee if such relocation is permanent. If Resident transfers to the Assisted Living Facility, Resident shall not be required to pay an additional Entrance Fee on transferring to the Assisted Living Facility.

#### 10. Application for Benefits; Assignment of Benefits.

Resident shall apply for any federal, state or local benefits for which Resident may be eligible or entitled upon request by Arbor Acres. If requested by

Arbor Acres, any or all such benefits will be applied to the Daily Fee or other charges incurred by Resident at Arbor Acres.

11. Health Insurance.

Resident shall maintain eligible Medicare coverage (and supplemental health insurance coverage) or other health insurance coverage that adequately covers hospital, medical, prescriptions and skilled nursing deductibles and co-payments required under Resident's primary insurance policy. Resident's primary and secondary insurance coverage must recognize Arbor Acres as a healthcare provider, or Resident shall be responsible for services rendered that otherwise could be covered by insurance.

If Resident's health insurance coverage lapses, Arbor Acres may require Resident to reapply for suitable insurance coverage. If Resident is unable to obtain suitable insurance coverage, Resident shall be responsible for any healthcare services rendered that otherwise could be covered by insurance. Upon request by Arbor Acres, Resident shall provide evidence of health insurance coverage.

12. Medicare-Certified Skilled Nursing Facility Beds.

Arbor Acres maintains a limited number of Medicare-certified beds in the Skilled Nursing Facility, which are available for use by residents whose skilled nursing care would qualify for Medicare payment on an "if and as available" basis. In the event that Resident's admission would qualify for Medicare payment, then Resident's financial responsibility to Arbor Acres will depend upon the type of Medicare coverage that Resident has and whether Arbor Acres is a contractual provider for Resident's coverage.

(a) *Medicare-certified bed is not available.*

In the event that there is not a Medicare-certified bed at Arbor Acres at the time that Resident requires admission, then Resident may either choose to obtain skilled nursing care services at another healthcare facility at Resident's cost until such time as a Medicare-certified bed becomes available at Arbor Acres (presuming that Resident would use a facility that could provide a Medicare-certified bed) or be admitted to a bed in the Skilled Nursing Facility at Resident's cost which is not certified to accept Medicare payment until such time as a Medicare-certified bed becomes available at Arbor Acres.

- (b) *Medicare-certified bed is available and Resident has traditional Medicare.*

If Resident is admitted to a Medicare-certified bed in the Skilled Nursing Facility and Resident has traditional Medicare coverage, Arbor Acres will accept the Medicare reimbursement amount for such care while Resident shall be responsible for any applicable deductible, co-payment and/or co-insurance amounts that are not paid by Medicare and any supplemental Medicare insurance that Resident maintains.

- (c) *Medicare-certified bed is available and Resident has Medicare Advantage coverage for which Arbor Acres is an in-network provider.*

In the event that Arbor Acres is an in-network provider for Resident's Medicare Advantage coverage, then Arbor Acres will accept the reimbursement amount from Resident's Medicare Advantage insurance carrier while Resident shall be responsible for any deductible, co-payment and/or co-insurance amounts that are not paid by the Medicare Advantage insurance that Resident maintains.

- (d) *Medicare-certified bed is available and Resident has Medicare Advantage coverage for which Arbor Acres is not an in-network provider.*

Arbor Acres will charge Resident the full private-payment amount for Resident's admission into a Medicare-certified bed and credit against Resident's financial obligation to Arbor Acres the amount that is paid by Resident's Medicare Advantage insurance if the insurance provides an out-of-network benefit. In the event that Resident's Medicare Advantage insurance will not pay any amount to an out-of-network provider, then Resident will not be admitted to a Medicare-certified bed at Arbor Acres. A full private-pay Resident in a Medicare-certified bed may be required by Arbor Acres to relocate to a bed that is not Medicare certified when such a bed becomes available.

### 13. United Methodist Affiliation.

Arbor Acres is affiliated with the Western North Carolina Annual Conference of The United Methodist Church, which is not responsible for the financial and contractual obligations of Arbor Acres.



14. Required Documents.

Resident agrees to keep in effect an appropriate Durable Power of Attorney or other designation of responsible party, and agrees to provide copies of the following documents to Arbor Acres by the first day of residency, and deliver any changes to such documents to Arbor Acres during Resident's residency at Arbor Acres: (a) health insurance coverage information; (b) copy of current Durable Power of Attorney for business management; (c) copy of current Health Care Power of Attorney and Living Will; and (d) evidence of the executor or other legally responsible person of Resident's estate, such as a copy of Resident's will documenting the name of the executor of his or her estate.

15. Moving Costs.

Resident is responsible for any and all packing and moving costs incurred by Resident for moves into, within and out of Arbor Acres, except as provided in Section 7(j) above. Arbor Acres may provide assistance at an additional cost. Arbor Acres reserves the right to charge an administrative fee for Resident's move within Arbor Acres.

16. Entire Agreement.

This Agreement, together with any Arbitration Agreement between Resident and Arbor Acres, contain the entire agreement of Arbor Acres and Resident. Arbor Acres will not be liable or bound in any manner by any statements, representations, or promises made by any person representing or claiming to represent Arbor Acres, unless such statements, representations, or promises are set forth in this Agreement.

17. Capacity.

This Agreement has been executed on behalf of Arbor Acres by Arbor Acres' duly authorized agent, and no officer, trustee, agent or employee of Arbor Acres shall have any personal liability to Resident under this Agreement.

18. Amendments and Modifications.

This Agreement shall not be modified, amended or changed in any respect except in writing signed by Arbor Acres and Resident. Each waives any right to amend this Agreement in any other way. Notwithstanding the foregoing,

Arbor Acres may amend this Agreement to ensure compliance with applicable laws and regulations.

19. Waiver.

Neither the failure nor any delay on the part of any party to exercise any right, remedy, power or privilege ("Right") under this Agreement shall operate as a waiver thereof, nor shall any single or partial waiver of any Right preclude any exercise of the same or of any other Right. No waiver shall be in effect unless in writing and signed by the party asserted to have granted such waiver.

20. Severability.

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

21. Interpretation.

The headings in this Agreement are for convenience and reference only, and shall not affect the interpretation of any provision of this Agreement.

22. Successors and Assigns.

Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of Arbor Acres and the heirs, executors, responsible parties, attorneys-in-fact and administrators of Resident.

23. Assignment.

This Agreement may not be assigned by Resident.

24. Indemnity.

Resident agrees to indemnify, defend and hold Arbor Acres harmless from any and all claims, damages or expenses (including reasonable attorneys' fees and court costs) resulting or arising from any injury or death to persons and/or damages caused by, resulting from or attributable to or in any way connected with, directly or indirectly, the act or omission of Resident or Resident's guests, including private duty nurses, companions or others. This Section 24 shall survive termination of this Agreement.

25. Governing Law; Venue; Disputes.

This Agreement shall be governed by, interpreted, construed and enforced in accordance with the laws of the State of North Carolina, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of laws or any jurisdiction other than North Carolina. Except to the extent that the parties have agreed to an alternative mechanism for the resolution of a dispute, to the full extent permitted by law, any action, suit or proceeding arising out of or relating to this Agreement shall be brought and enforced in the courts of the State of North Carolina located in Forsyth County or of the United States District Court for the Middle District of North Carolina, and the parties hereby irrevocably submit to the exclusive jurisdiction of such courts and irrevocably waive any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in such courts. In the event of any such dispute, the non-prevailing party shall pay all reasonable costs, expenses and attorneys' fees incurred by the prevailing party.

26. Survival.

Those rights and obligations that have accrued under this Agreement shall survive its termination, as shall those rights and obligations that by their terms survive termination and any provisions that must survive to give effect to their terms, as shall any obligation of Resident to pay costs or expenses of his or her residency at Arbor Acres that remain unpaid as of such termination.

27. Management of Arbor Acres.

The absolute rights of management are reserved by Arbor Acres and its Board of Directors. Arbor Acres reserves the right to accept or reject any person as a resident. Residents do not have the right to determine admission or terms of acceptance of any other resident.

28. Uncontrollable Interruption of Services.

No breach of Arbor Acres' obligations under this Agreement and no liability for injury to Resident or Resident's property shall result from an interruption of, or failure to provide, contracted services due to an act of God or other cause beyond the reasonable control of Arbor Acres, specifically including (without limitation) strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood,

earthquakes, inclement weather or acts of the Resident. Arbor Acres shall make reasonable efforts to continue to provide the usual services in such event.

29. Confidentiality.

Arbor Acres has the responsibility to keep all of the personal, medical, and financial information Resident has supplied to Arbor Acres confidential. Resident agrees that Arbor Acres can disclose such information to those who have a need, in Arbor Acres' judgment, or right to know.

30. Rights Subordinate to Mortgage.

Pursuant to the requirements of any lender, Resident agrees that Resident's rights under this Agreement are subordinate to the right of the lender under any mortgage, deed of trust or security interest executed now or in the future by Arbor Acres.

31. Notice Provisions.

Notices required by this Agreement will be in writing and delivered either by personal delivery or mail. If delivered by mail, notices will be sent by certified or registered mail, return receipt requested, with all postage and charges prepaid. Notices and other communications will be deemed to have been given when delivered by personal delivery or if mailed, such notice shall be deemed to have been given on the third business day after being deposited in the United States mail, postage prepaid. All notices and other written communications required under this Agreement will be addressed to Resident or to Resident's personal representative at the address provided to Arbor Acres. Notices shall be sent to us at the following address:

Arbor Acres United Methodist Retirement Community, Inc.  
1240 Arbor Road  
Winston-Salem, NC 27104  
Attention: President and CEO

Resident's address for the purpose of giving notice is the address appearing after Resident's signature below or such other address Resident provides to Arbor Acres in writing.

[Signature Page Follows]

SNF Contract

Resident has executed this Agreement and Arbor Acres has caused this Agreement to be executed in its name by a duly authorized person as of the day and year written above.

\_\_\_\_\_  
Resident Name: \_\_\_\_\_

Resident Address:

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
City, State & Zip Code

ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC.

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

Title: \_\_\_\_\_

*Signature Page to Arbor Acres Skilled Nursing Facility Residency Agreement*

**ADVANTAGE PROGRAM AGREEMENT  
ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC.**

This ADVANTAGE PROGRAM AGREEMENT (referred to as the "Agreement") is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ between ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC. (referred to as "Arbor Acres" or "We", "Our" or "Us"), a North Carolina non-profit corporation, and \_\_\_\_\_ (referred to as "Resident", "You" or "Your"). You agree to take financial responsibility for this Agreement on the above date (the "Date of Acceptance").

**WHEREAS**, Arbor Acres owns and operates a retirement community located at 1240 Arbor Road, Winston-Salem, North Carolina 27104; and

**WHEREAS**, the retirement community (referred to as the "Community") consists of independent living homes and apartments, common areas and amenities, and on-campus facilities for certain outpatient services, assisted living care and skilled nursing care; and

**WHEREAS**, You desire to enter into this Agreement as an off-campus resident of the Community in connection with Arbor Acres' offering continuing care without lodging through its "Advantage Program" in order for You to access some of the services provided by Arbor Acres while remaining in Your home and not residing at the Community.

**NOW THEREFORE**, subject to the terms and conditions set forth in this Agreement, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, You and Arbor Acres agree as follows:

**I. ACCEPTANCE AS ARBOR ACRES RESIDENT WITHOUT LODGING**

- A. General.** You have gone through the admission process, and Arbor Acres has accepted You as an off-campus Resident of the Community without lodging through its "Advantage Program" in order for You to access some of the services provided by Arbor Acres while remaining in Your home and not residing at the Community. As a Resident without lodging of Arbor Acres, You will continue to reside in Your own home and not at the Community, and You are hereby entitled to the services specifically set forth in this Agreement. If there is a fee related to particular services provided to You as a Resident, You will be charged the then prevailing fee that corresponds to being a resident of Arbor Acres rather than a guest.

As a Resident of Arbor Acres under this Agreement, if You are already on our wait list for residency on our campus ("Wait List"), You will remain on our Wait List unless You request that We remove You from the Wait List. Your status on our Wait List and Your rights as a member of the Wait List will not change as a result of entering into this Agreement. Your Wait List date for purposes of priority will remain \_\_\_\_\_, which is the date on which You joined Our Wait List originally. If You are not already on our Wait List, You may join

our Wait List, and Your Wait List date for purposes of priority will be the date You are added to the Wait List. As a member of Our Wait List, You will have the same rights as other members of Our Wait List and will be offered on-campus accommodations in accordance with the then current Arbor Acres' Wait List Policy.

At the time You choose to accept an accommodation on Arbor Acres' campus, You will be required to go through our admissions process for residing at the Community, including, but not limited to, providing Us updated medical and financial information in order to determine Your ability to live independently and to afford the additional entry fee and higher monthly service fees required for residency in the particular reserved unit. Arbor Acres reserves the right to decline Your admission to the Community for residency if Your medical and financial circumstances have changed so that You are not able to live independently or are not able to afford the additional entry fee and higher monthly service fees required for residency in the particular reserved unit.

- B. Execution of the Residence Agreement Following Acceptance.** Prior to taking occupancy and financial responsibility for a particular residential unit on Arbor Acres' campus, You agree to execute Arbor Acres' Residence Agreement (the "Residence Agreement") then in effect. Your occupancy of a residence shall be expressly conditioned upon Your execution of such agreement. The executed Residence Agreement shall supersede and replace this Agreement in its entirety.

If the Residence Agreement is subsequently terminated, as outlined in that Residence Agreement, this Agreement may be re-executed upon mutual agreement of the parties, allowing You to remain a Resident of Arbor Acres who does not reside on campus, as long as the reason for termination of the Residence Agreement does not preclude continuation of a contractual relationship with Arbor Acres.

## **II. GENERAL SERVICES PROVIDED ON CAMPUS**

- A. Community Common Areas and Amenities.** We will provide common areas and amenities for the use and benefit of all residents. These facilities currently include the main dining room, private dining rooms, lobbies, assembly hall, library, social, and recreational facilities (indoor and outdoor), and craft facilities. Some common areas may require advance reservation. All common areas are smoke-free environments.
- B. Health Center.** Arbor Acres will provide or arrange admission to the facilities necessary for the medical care and services specified in this Agreement at the then prevailing fees charged by Arbor Acres or other facilities, as applicable, and such fees shall be the sole responsibility of Resident. In this Agreement, the term "Health Center" includes the facilities for certain outpatient services, assisted living care ("Assisted Living") and skilled nursing care. A restraint-free policy is upheld in Arbor Acres' facilities.

- C. **Parking.** Arbor Acres will provide and maintain unassigned parking areas for residents and guests.
- D. **Activities.** Social, recreational, educational, and cultural activities are available to residents and are provided through an active staff-directed program. Residents may be required to pay additional fees for certain activities.
- E. **Meals.** You may eat in the Arbor Acres dining rooms, and You will be charged the prevailing resident meal charge and will be billed monthly.
- F. **Security.** We will use reasonable care in providing security on the premises of Arbor Acres. Arbor Acres will provide twenty-four (24) hour security staffing on site in the Community. You are responsible for taking appropriate security measures to protect yourself and Your personal property at the Community. We are not responsible to provide security to You in Your off-campus residence or for loss, theft or damage to Your personal property at the Community or otherwise.
- G. **Other Services.** Arbor Acres may also make available to Resident additional services, at Resident's request, at the then prevailing rates charged by Arbor Acres, which may be changed from time to time at the discretion of Arbor Acres.
- H. **Changes in Services and Fees.** Arbor Acres residents pay Monthly Fees and other charges to cover services provided by Arbor Acres. At least annually, during budget preparation, Arbor Acres reviews services and costs of operation, and the need for any changes in services or in Arbor Acres' schedule of fees and charges. Arbor Acres reserves the right to change, when deemed necessary, the services provided to residents and the associated fees and charges. Arbor Acres will strive to deliver services efficiently and economically.

### **III. MEDICAL AND OTHER HEALTH CARE SERVICES PROVIDED OR COORDINATED BY ARBOR ACRES**

- A. **General.** You hereby acknowledge and agree that Arbor Acres is not responsible for furnishing You or causing to be furnished to You medical services in Your home. In consideration for the Entry Fee and Monthly Fee, Arbor Acres will provide You (i) "Care Management" services, as more specifically described in Section III.E. of this Agreement, and (ii) nursing care services (but not medical services by a physician or physician assistant) provided in Arbor Acres' on-site clinic.

In addition, Arbor Acres will make available to You or cause to be made available to You the following medical and health care services at the Community that You may choose to receive, and, subject to Sections VI E. and F. of this Agreement, You will be responsible for all costs and expenses of such services at the then prevailing rates of Arbor Acres or such other provider You choose:



- 1) Medical services provided by primary care physicians or physician assistants who are part of Arbor Acres' group practice, and who see You at the Arbor Acres' on-site clinic;
- 2) General nursing and personal care provided in Arbor Acres' Health Center, subject to availability of a bed or accommodation and subject to Arbor Acres' then-prevailing admissions policies and procedures;
- 3) General nursing and personal care provided in a similarly licensed nursing facility when space is not available at Arbor Acres, and when coordinated by Arbor Acres' medical and other care management staff; and
- 4) Physical, occupational, and speech therapy when ordered by Arbor Acres' physicians and provided at Arbor Acres outpatient rehabilitation facilities or in an inpatient setting in the Health Center.

**B. Community's Physicians and Physician Assistants/Nurse Practitioners.** Arbor Acres will appoint a Medical Director and physicians and physician assistants/nurse practitioners, as needed. They will be responsible for Your medical care, including office visits, medical review, Health Center visits, hospital attendance, and referral to specialists, if You choose to use them.

**C. Hospitalization.** When one of Arbor Acres' physicians determines that it has become necessary to hospitalize You, the physician will have the authority to arrange such hospitalization. Such determination will be made by Us in consultation with Your attending physician if not an Arbor Acres physician, and You, to the extent possible, and Your personal representative, if appropriate. When the conditions necessitating such hospitalization no longer exist, the physician will have the authority, in consultation with Your attending physician if not an Arbor Acres physician, and You, to the extent possible, and Your personal representative, if appropriate, to arrange for Your discharge and transfer or return to Your home, or to the Health Center at Arbor Acres if that is needed.

**D. Medical Referrals.** Arbor Acres will be responsible for coordinating and following Your medical, surgical and other health care services when such services either (i) are provided by Arbor Acres, or (ii) are provided by licensed outside providers to whom You have been referred in writing by one of Arbor Acres physicians or physician assistants/nurse practitioners for treatment or consultation. Such responsibility will be limited to the specific condition for which referral was made. Arbor Acres will not be responsible for secondary referrals or for follow-up visits unless approved in advance by one of Arbor Acres' physicians or physician assistants/nurse practitioners.

Arbor Acres cannot be responsible for filing for insurance reimbursement for services provided by other providers of Your choice. However, Arbor Acres will supply the referral provider with Your policy information upon request, and, upon request, will assist You in coordinating with other providers to ensure they are

filing with Your insurance diligently, in order to help maximize Your Medicare and supplemental insurance benefits.

**E. Care Management and Transfer to Assisted Living, the Health Center, a Special Service Facility, or a Hospital.**

Arbor Acres shall furnish the following care management services (“Care Management”) to You on site at the Community, unless Your health condition prevents You from being able to leave Your home, in which case such Care Management will be provided to You in Your home, by qualified staff who will (i) assess Your needs; (ii) develop a plan of care with You to address needs that are identified; (iii) help identify reputable providers in the area to whom You can be referred for services to meet those needs; and (iv) follow up to ensure that those services are meeting Your needs and the goals of Your care plan. The assessments shall be conducted annually.

If more frequent assessments are needed, or if any needs are identified that may require subsequent services, Arbor Acres staff will assist You either by providing such services to You in the event Arbor Acres is licensed to provide such services and You choose Arbor Acres to provide such services or by referring You to services that may be available to You in the community outside of the Community. If more frequent assessments are needed beyond the annual assessment, or if any needs are identified that may require subsequent services of Arbor Acres’ staff or other providers, those assessments and services will be provided to You on a fee-for-service basis at Arbor Acres’ or the other providers’ then prevailing rates.

You hereby acknowledge and agree that Arbor Acres is not responsible for furnishing You or causing to be furnished to You medical or other personal care services in Your home, unless recommended and approved by Arbor Acres as part of Your Care Management program and requested by You. All decisions regarding Your Care Management plan, including the prospect of Your need for support services in Your home, temporary or permanent transfer to Assisted Living or Health Center, a special service facility, or to a hospital will be made after consultation with You, to the extent possible, Your attending physician if not an Arbor Acres physician, and with Your personal representative, if appropriate.

If it is determined by Arbor Acres’ Care Management staff that Your needs require temporary or permanent transfer to Arbor Acres’ Assisted Living or Health Center facilities, and if You choose not to make the move to those facilities, then You must agree to sufficient services to provide for appropriate care and safety in Your home. If, in Our sole judgment, the services You elect to receive are insufficient for appropriate care and safety in Your home, You must move to an appropriate care level at Arbor Acres, or We will have the right to terminate this Agreement. Arbor Acres’ decision will be binding.

No Entry Fee adjustment is made with temporary or permanent transfer from Your home to Arbor Acres' Assisted Living or Health Center facilities or to another special service facility. In the event You make a temporary or permanent transfer from Your home to Arbor Acres' Assisted Living or Health Center facilities or to another special service facility, You will be charged Arbor Acres' or other facility's then prevailing Monthly Fee and/or per diem rates for such services. The new Monthly Fee and/or per diem rates take effect on the date that You make such a temporary or permanent transfer.

**IV. MEDICAL, HEALTHCARE, AND OTHER SERVICES EXCLUDED IN THIS AGREEMENT**

**A. Use of Medical Practitioners and Facilities Not Referred by Arbor Acres.**

You may engage the services of primary care physicians other than those who are part of the Arbor Acres practice, and seek care at other hospital, specialty medical, surgical or allied health services with whom Arbor Acres' does not have referral relationships. Arbor Acres will not be liable for any expenses relating to such care, including, but not limited to, the cost of medical, surgical, hospital or nursing care provided, ordered, prescribed or occasioned by any such practitioner or such facilities. If a healthcare provider should seek payment for such services from Arbor Acres, You will indemnify, defend and hold Arbor Acres harmless from all loss or liability arising from such claims for payment.

In situations when Arbor Acres' medical staff is not involved in the referral to a physician or other health care provider from whom You seek services, it is Your responsibility to require those providers to furnish Arbor Acres, promptly in writing and in confidence, with medical information regarding Your condition, diagnosis, medications, and treatment.

You may not engage third parties for medical or other health-related services to be rendered at Arbor Acres without prior notification to and written authorization by Arbor Acres' management.

**B. Psychiatric Illness, Dangerous Communicable Disease, Drug or Alcohol Abuse.**

The Community's facilities and services are not designed to care for persons who have an active psychiatric illness, who have a dangerous communicable disease or who are involved with drug or alcohol abuse. Should Arbor Acres determine that Your physical or psychiatric illness, or that Your condition as a result of drug or alcohol abuse, is such that Your continued stay in Your home or use of the Community facilities is either dangerous or detrimental to Your life, health, safety or peace, or the life, health, safety, or peace of others in Your home or in the Community, then Arbor Acres may transfer You to another facility of Your choosing. You will continue to be responsible for payment of the Monthly Fee as if You were at home. You will also be responsible for payment of any additional amount needed for Your care at any other such facility. Arbor Acres may terminate this Agreement if You refuse to make the recommended transfer.

- C. **Transportation.** Arbor Acres will not be responsible for providing any type of transportation to You during this Agreement, including but not limited to any transportation to or from the Arbor Acres campus or to any medical appointments or other locations and emergency transportation to any hospital or other health care facility.
- D. **Security.** Arbor Acres will not be responsible for providing any type of security, staff emergency response, emergency call devices, smoke detectors or the like to Your home or personal residence during this Agreement.
- E. **Housekeeping, Maintenance and Grounds Keeping.** Arbor Acres will not be responsible for providing any type of laundry or housekeeping services to Your home or personal residence during this Agreement. Arbor Acres will not be responsible for providing any type of home maintenance or grounds keeping care to Your home or personal residence during this Agreement.
- F. **Utilities.** Arbor Acres will not be responsible for furnishing any type of utilities, including, but not limited to, heating, air conditioning, water, electricity and/or gas, sewage disposal, trash removal, television service, internet service and telephone service, to You during this Agreement.
- G. **Taxes.** Arbor Acres will not be responsible for paying any taxes owed by You, including, without limitation, any income taxes or personal or real property taxes assessed on Your personal or real property during this Agreement. You are solely responsible for all taxes, owed by You, including, without limitation, all personal income taxes and all taxes assessed on Your personal and real property.
- H. **Other Excluded Services.** Other excluded services include, but are not limited to, prescription and non-prescription medications, refractions, eye-glasses, contact lenses, audiological tests, hearing aids, dentistry, dentures, dental inlays, incontinent and other personal hygiene supplies, orthopedic appliances, podiatry, chiropractic services, organ transplants, renal dialysis, treatment for alcohol and drug abuse, and diagnosis and therapy for psychiatric disorders.
- I. **Illness or Accident.** If You have an accident or if You are ill, We will have no responsibility to pay for costs resulting from or in connection with such accident or illness.

V. **TERMS OF BEING AN ARBOR ACRES RESIDENT**

- A. **Rights of Resident.** As a Resident, You have the right to use and enjoy the common areas, amenities, programs, and services of Arbor Acres, as provided in this Agreement, during Your lifetime unless this Agreement is terminated as provided herein. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by Arbor Acres other than the rights and privileges as described in this Agreement.

- B. Policies and Procedures.** In order to operate Arbor Acres in the best interest of the Community, Arbor Acres has established policies, rules and regulations relating to residency, which are subject to modification from time to time as deemed appropriate by Arbor Acres. Resident has received information as to the current policies, rules and regulations in the Disclosure Statement and in other written information provided by Arbor Acres. Arbor Acres reserves the right to make or change policies, rules and regulations, and will use its reasonable efforts to communicate through appropriate means to all residents the substance and content of such additions or changes; also, copies of particular policies, rules and regulations relating to residency will be furnished to Resident on request. Resident agrees to comply with Arbor Acres' policies, rules and regulations. Resident understands and agrees that, in order for Arbor Acres to operate in the best interest of both Resident and the Community, Arbor Acres must have the cooperation of Resident's family, friends, responsible parties and other associates to comply with Arbor Acres' applicable policies, rules and regulations. Any continuing or repeated failure or refusal by any such persons to so cooperate and comply may result in a determination by Arbor Acres that it is no longer feasible for Arbor Acres to provide services to Resident. Upon such determination, Arbor Acres will have a right to terminate this Agreement.
- C. Relationships Between Residents and Staff.** Arbor Acres is built on mutual respect and instructs its staff to be cordial and helpful to You. The relationship is to remain professional. Employees must not be delayed or deterred by residents in the performance of their duties. Management is solely responsible for the supervision of staff. Complaints or requests for special assistance must be made to the appropriate supervisor. Giving gratuities or bequests to employees or employees' families is not permitted. You will not employ Arbor Acres' employees nor hire former Arbor Acres' employees without the prior written consent of the management of Arbor Acres.
- D. Loss of Property.** Arbor Acres will not be responsible for the loss of or damage to any property belonging to You due to theft, mysterious disappearance, fire, employee accident, or any other cause. It is understood that You have the responsibility of providing any desired insurance protection covering any such loss.
- E. Representations.** You affirm that the representations made in the Application for Admission, Personal Health History, and Confidential Financial Statement are true and correct and may be relied upon by Arbor Acres as the basis for entering into this Agreement. You agree to provide updates of this information in a timely way to Us. As one of those representations, You affirm that You are at least 62 years old.
- F. Behavior Deemed Harmful to Arbor Acres.** If Resident is deemed competent and capable of controlling his or her behaviors and engages in behaviors deemed by the President/CEO to be disruptive, hostile, illegal, or otherwise harmful to others or to Arbor Acres, Arbor Acres reserves the right to terminate this

Agreement. If such a circumstance arises, Arbor Acres will discuss the matter thoroughly with Resident to provide Resident with knowledge of the behaviors deemed intolerable by Arbor Acres. Arbor Acres will provide Resident a written warning to desist from the behavior or any similarly disruptive, hostile, illegal or harmful behavior. Upon determination that Resident is continuing to engage in the behaviors against which Resident has been warned, Arbor Acres will have the right to terminate this Agreement.

- G. **Sex Offender Registry.** Resident hereby acknowledges that it is the policy of Arbor Acres to conduct sex offender screening for every prospective resident, regardless of independent status or level of care, at the time of application for admission to Arbor Acres and again prior to entering into a Residence Agreement. If the screening shows that the prospective resident is identified as a sex offender, Arbor Acres will deny admission of Resident on that basis and not execute a Residence Agreement. In addition, Resident hereby acknowledges and agrees that if, after Arbor Acres and Resident have entered into a Residence Agreement, Arbor Acres becomes aware that Resident is listed on any sex offender registry, Arbor Acres may terminate this Agreement with Resident and remove Resident from Arbor Acres.

## VI. **FINANCIAL ARRANGEMENTS**

- A. **Entry Fee.** You agree to pay Arbor Acres an entry fee in the amount of \$12,500.00 as a condition to this Agreement (the "Entry Fee"). The Entry Fee is a lump sum payment due as of the Date of Acceptance and will not be increased or changed during the term of this Agreement, except for changes required by state or federal programs or execution of a subsequent Residence Agreement should You move to Arbor Acres some time in the future. In the event You decide to move to Arbor Acres and enter into a Residence Agreement, notwithstanding the amortization of the Entry Fee for refund purposes as set forth in Section VIII.D. of this Agreement, the full amount of the Entry Fee will be applied towards the then prevailing entry fee for the apartment or home at the Community You select. The ability to apply the full amount of the Entry Fee towards an entry fee for an on-campus living accommodation at Arbor Acres shall survive the termination of this Agreement, subject to the execution of a Residence Agreement between You and Arbor Acres.
- B. **Monthly Fee and Other Charges.** You agree to pay a monthly fee (the "Monthly Fee") during the term of this Agreement. The current Monthly Fee associated with this Agreement is \$400.00 per month. The Monthly Fee will commence at the Date of Acceptance and will be subject to adjustment in accordance with Section VI.D. below. The Monthly Fee will be paid on a prorated basis for any partial month.

Arbor Acres will furnish Resident a monthly statement with the total amount of the Monthly Fee and other charges, if any, owed by Resident. Resident shall pay

such fees and charges by the [15<sup>th</sup>]<sup>1</sup> day of the month. If Resident's payment is late, Arbor Acres may charge Resident a one and one-half percent (1.5%) interest fee per month, from the first of the month in which the payment is late. Upon thirty (30) days' advance written notice, Arbor Acres may change the billing date and payment due date. Arbor Acres shall have the right to offset against any Entry Fee repayment any unpaid Monthly Fees or other charges owed by Resident to Arbor Acres. If You fail to comply with the terms of this provision, We may terminate this Agreement.

- C. **Assisted Living or Health Center Charges.** If You need care in Arbor Acres' Assisted Living or Health Center facilities, You will be charged an additional daily fee based on the particular level of care and type of accommodation at Arbor Acres' then prevailing rates. This fee is in addition to the Monthly Fee, which You will continue to be charged.
- D. **Adjustments in the Monthly Fee and Other Charges.** Arbor Acres may adjust the Monthly Fee, the Assisted Living and Health Center fees, and any and all other charges from time to time on the basis of experience or to reflect changes in the cost of achieving the mission or purposes of Arbor Acres. Arbor Acres agrees that, in the exercise of its discretion, which will be binding on You, Arbor Acres will endeavor to maintain all fees and charges at the lowest feasible amounts which, in the judgment of the Board of Directors of Arbor Acres, is consistent with sound financial operation and maintenance of the quality of facility, program and service provided.
- E. **Health Care Insurance Requirements.** You shall be responsible for carrying both Medicare Part A and Medicare Part B insurance coverage, or a substitute policy acceptable to Arbor Acres. You shall also carry a supplemental insurance policy acceptable to Arbor Acres, which adequately covers the hospital, medical, and skilled nursing deductibles and co-payments required of Your primary insurance plan. Both Your primary and supplemental health insurance policies must recognize Arbor Acres as a health care provider. You assume the financial responsibility for services provided that otherwise could be covered by Medicare or insurance.

You shall be responsible for ensuring that the health insurance coverage that was approved does not lapse, and You shall provide Arbor Acres with evidence of such coverage upon request. If Your health insurance coverage should lapse, Arbor Acres may require that You reapply for suitable coverage. If You are unable to obtain adequate new coverage, Arbor Acres shall charge You for any costs of medical and other health care services provided to You that otherwise would have been covered by an approved policy.

- F. **Arbor Acres' Filing for and Rights to Insurance Benefits.** Arbor Acres shall be responsible for filing for reimbursement from Your Medicare and

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<sup>1</sup> [NTD: Please note the Residence Agreements contemplate payment by the 10<sup>th</sup> day of the month.]

supplemental health insurance plans for covered medical, nursing, and outpatient therapy services when provided by Arbor Acres. Arbor Acres has a right to the benefits payable under the insurance You carry for services provided by Arbor Acres as, required in this Agreement, except where costs of care were borne solely by You and not Arbor Acres. You hereby authorize Arbor Acres to file claims for benefits to which You are entitled under this Agreement and to execute all documents necessary to enable Arbor Acres to collect or enforce such claims. If, for any reason, Arbor Acres cannot apply directly for benefits payable under insurance required by this Agreement, You agree to make such application and to pay Arbor Acres the proceeds received that are due for services provided by Arbor Acres.

For those services provided by Arbor Acres that are covered by Medicare, We will accept Medicare Assignment, billing Medicare first and accepting Medicare's allowable reimbursement rates as payment in full. You shall be responsible for amounts allowed by Medicare or Your supplemental insurance that are treated as deductibles, co-payments or other cost-sharing amounts imposed by Medicare or Your supplemental insurance. For those services provided by Arbor Acres that are not covered by Medicare or Your supplemental insurance, You shall be responsible for all costs and expenses related to such services at the then prevailing rates. For all services not provided by Arbor Acres but are provided by another provider, You shall be responsible for all costs and expenses related to such services.

- G. **Automobile Accident Insurance.** If You are a licensed driver, You are responsible for maintaining automobile accident insurance to cover medical costs from automobile accidents causing injury.
- H. **Arbor Acres' Rights in Case of Injury Caused by a Third Party.** In the event Arbor Acres has incurred costs, expenses and damages on Your behalf relating to injuries or illnesses caused to You by a third party (including, but not limited to, reasonable costs of care Arbor Acres may furnish You because of such accident or injury), You hereby agree that any amount recovered by You or on Your behalf from any and all sources relating to Your injuries or illnesses shall first be paid to Arbor Acres in an amount to reimburse Arbor Acres for its costs, expenses and damages incurred, with the balance of any amount recovered then paid to You or credited to Your account, or, in the event of Your death, paid to Your estate.
- I. **Application for Benefits; Assignment of Benefits.** Resident shall apply for any federal, state or local benefits for which Resident may be eligible or entitled upon request by Arbor Acres. If requested by Arbor Acres, any or all such benefits will be applied to the Monthly Fee or other charges incurred by Resident at Arbor Acres.



## **VII. FINANCIAL ASSISTANCE**

In order to operate Arbor Acres on a fiscally sound, nonprofit basis, Arbor Acres has established fees and charges, which are subject to modification from time to time as deemed necessary and appropriate by Arbor Acres. Resident agrees to pay when due all required fees and charges. Resident has received from Arbor Acres a schedule of current fees and charges.

Resident agrees to provide, if requested, periodic financial statements and current financial information for the purpose of demonstrating capacity to meet financial obligations to Arbor Acres. Should Resident experience financial difficulty that might result in Resident's immediate or eventual inability to meet the financial obligations under this Agreement, including any spend down of assets that might result from payment of expected fees and charges to Arbor Acres, Resident will inform Arbor Acres immediately, and submit a current financial statement. Resident and, if appropriate, Resident's responsible party, and Arbor Acres shall discuss and, if possible, agree on a plan by which Resident's financial obligation to Arbor Acres can be met. Residents whose funds are depleted primarily through payment of fees associated with this Agreement, to include costs associated with their medical care, may be eligible for consideration for financial assistance through Arbor Acres. Such assistance, however, is conditional upon demonstration that other options for fulfilling this financial obligation to Arbor Acres have been explored and deemed impracticable by either party. When Resident is deemed eligible for financial assistance through Arbor Acres, Arbor Acres, to the extent of its available resources dedicated for financial assistance, will attempt to furnish financial assistance when it is needed. Termination of residency for Resident's inability to fulfill the financial obligations incurred under this Agreement shall be an option exercised as necessary to assure the financial viability of Arbor Acres and of its financial assistance program.

## **VIII. TERMINATION AND REFUNDS**

- A. Voluntary Termination After Date of Acceptance.** This Agreement may be terminated by You at any time by providing Arbor Acres sixty (60) days advanced written notice of such termination. You may be entitled to a prorated refund of the Entry Fee pursuant to Section VIII.D.
- B. Termination Upon Death.** In the event of Your death at any time after the Date of Acceptance, this Agreement will terminate upon the date of death. Your estate may be entitled to a pro-rated refund of the Entry Fee pursuant to Section VIII.D.
- C. Termination by Arbor Acres.**<sup>2</sup> Arbor Acres may terminate this Agreement at any time (i) pursuant to Section III.E., Section IV.B., Section V.B., Section V.F. or Section V.G. of this Agreement, (ii) if there has been any material misrepresentation or omission made by You in the application forms, (iii) if You fail to make payment to Arbor Acres and Arbor Acres gives notice provided for in

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<sup>2</sup> [NTD: Please advise whether an appeal process is contemplated, similar to the other Residence Agreements.]

Section VI.B., (iv) if You fail to abide by Arbor Acres' policies and procedures, or (v) if You breach the terms of this Agreement. In such events, You may be entitled to a pro-rated refund of the Entry Fee pursuant to Section VIII.D, subject to the terms of this Agreement. Arbor Acres will provide timely advance written notice of termination that is in compliance with prevailing laws, regulations and Arbor Acres' policies. Arbor Acres shall exercise such right of termination only after first attempting to work out satisfactory solutions with Resident and/or Resident's responsible party. If agreement cannot be reached between the President/CEO and Resident and/or Resident's responsible party, the President/CEO will refer the matter to the Executive Committee of the Board of Directors of Arbor Acres (the "Executive Committee") for hearing and decision. The Executive Committee shall afford Resident an opportunity to be heard, and shall render a decision with respect to the matter referred to it. The decision of the Executive Committee shall be put in writing and shall be signed by the Chair of the Board of Directors of Arbor Acres (the "Chair") or, in the absence of the Chair, the Chair Elect of the Board of Directors of Arbor Acres. It is understood and agreed that the written, signed decision of the Executive Committee shall be final and binding.

- D. Calculation for Pro-Rated Refunds.** If termination of this Agreement occurs during the first fifty (50) months of this Agreement, You or Your estate will be entitled to a partial refund of the Entry Fee, subject to the terms and conditions of this Agreement. You will receive a refund in the amount equal to: (i) the Entry Fee less a non-refundable fee in the amount of \$1,000 (the "Net Entry Fee"); less (ii) two percent (2%) of the Net Entry Fee for each month that this Agreement has been in effect for up to fifty (50) months; less (iii) any amounts due to Arbor Acres. After fifty (50) months, there is no refund of the Entry Fee. The fifty (50) month period begins with the Date of Acceptance. Payment, if any, shall be made within sixty (60) days of written notice of termination.

## **IX. RIGHT OF RESCISSION**

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by You giving written notice of such rescission to Arbor Acres within thirty (30) days following the later of the execution of this Agreement or the receipt of a disclosure statement that meets the requirements of Section 58-64-1 *et. seq.* of the North Carolina General Statutes. In the event of such rescission, if it is conditioned by a change in Your health status, You will receive a full refund of the Entry Fee, less a non-refundable application fee of \$ \_\_\_\_\_. If the rescission is for a reason other than change in Your health status, You will receive a refund of the Entry Fee less a non-refundable fee in the amount of \$1,000. Any such refund will be paid by Arbor Acres within sixty (60) days following receipt of written notice of rescission pursuant to this Section IX.

## **X. GENERAL**

- A. Assignment.** This Agreement and the rights and privileges for You under this Agreement to the common areas, amenities, and services and programs of Arbor

Acres are personal to You and may not be transferred or otherwise assigned by You.

- B. Management of the Community.** The absolute rights of management are reserved by Arbor Acres and its Board of Directors. Arbor Acres reserves the right to accept or reject any person as a resident. Residents do not have the right to determine admission or terms of acceptance of any other resident.
- C. Entire Agreement.** This Agreement, together with any Arbitration Agreement between Arbor Acres and You, constitutes the entire Agreement between Arbor Acres and You. Arbor Acres will not be liable or bound in any manner by any statements, representations, or promises made by any person representing or claiming to represent Arbor Acres, unless such statements, representations, or promises are set forth in this Agreement.
- D. Capacity.** This Agreement has been executed on behalf of Arbor Acres by Arbor Acres' duly authorized agent, and no officer, trustee, agent or employee of Arbor Acres shall have any personal liability to Resident under this Agreement.
- E. Amendments and Modifications.** This Agreement shall not be modified, amended or changed in any respect except in writing signed by Arbor Acres and Resident. Each waives any right to amend this Agreement in any other way. Notwithstanding the foregoing, Arbor Acres may amend this Agreement to ensure compliance with applicable laws and regulations.
- F. Waiver.** Neither the failure nor any delay on the part of any party to exercise any right, remedy, power or privilege ("Right") under this Agreement shall operate as a waiver thereof, nor shall any single or partial waiver of any Right preclude any exercise of the same or of any other Right. No waiver shall be in effect unless in writing and signed by the party asserted to have granted such waiver.
- G. Severability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.
- H. Interpretation.** The headings in this Agreement are for convenience and reference only, and shall not affect the interpretation of any provision of this Agreement.
- I. Successors and Assigns.** Except as set forth herein, this Agreement will bind and inure to the benefit of the successors and assigns of Arbor Acres and Your heirs, executors, administrators, responsible parties, attorneys-in-fact and permitted assigns.
- J. Rights Subordinate to Mortgage.** Pursuant to the requirements of any lender, You agree that Your rights under this Agreement are subordinate to the right of

the lender under any mortgage, deed of trust or security interest executed now or in the future by Arbor Acres.

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

- K. Durable Power of Attorney, Will, Living Will, and Health Care Power of Attorney.** You agree to keep in effect an appropriate Durable Power of Attorney designating some competent person as attorney-in-fact. You agree to execute a Will, Living Will, and designate a Durable Health Care Power of Attorney. Within ninety (90) days of the Date of Acceptance, You will deliver to Arbor Acres copies of the following documents, and will promptly deliver any changes to such documents to Arbor Acres during this Agreement: (a) health insurance coverage information; (b) copy of current Durable Power of Attorney; (c) copy of current Durable Health Care Power of Attorney and Living Will; and (d) evidence of the executor or other legally responsible person of Resident's estate, such as a copy of Resident's will documenting the name of the executor of his or her estate.
- L. Uncontrollable Interruption of Services.** No breach of Arbor Acres' obligations under this Agreement and no liability for injury to Resident or Resident's property shall result from an interruption of, or failure to provide, contracted services due to an act of God or other cause beyond the reasonable control of Arbor Acres, specifically including (without limitation) strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquakes, inclement weather or acts of the Resident. Arbor Acres shall make reasonable efforts to continue to provide the usual services in such event.
- M. Confidentiality.** Arbor Acres has the responsibility to keep all of the personal, medical, and financial information You have supplied to Arbor Acres confidential. You agree that Arbor Acres can disclose such information to those who have a need, in Our judgment, or right to know.
- N. Indemnity.** You agree to indemnify, defend and hold Arbor Acres harmless from claims, damages or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and/or any damages to property caused by, resulting from, attributable to or in any way connected with, directly or indirectly, Your act or omission or those of Your guests, including private duty nurses or any other third party service contracted by You. This Section X.N. shall survive termination of this Agreement.
- O. Affiliations.** Arbor Acres is affiliated with the Western North Carolina Annual Conference of The United Methodist Church, which is not responsible for the financial and contractual obligations of Arbor Acres.
- P. Notice Provisions.** Notices required by this Agreement will be in writing and delivered either by personal delivery or mail. If delivered by mail, notices will be sent by certified or registered mail, return receipt requested, with all postage and charges prepaid. Notices and other communications will be deemed to have been given when delivered by personal delivery or if mailed, such notice shall be

deemed to have been given on the third business day after being deposited in the United States mail, postage prepaid. All notices and other written communications required under this Agreement will be addressed to You or to Your personal representative at the address provided to Us. Notices shall be sent to us at the following address:

Arbor Acres United Methodist Retirement Community, Inc.  
1240 Arbor Road  
Winston-Salem, NC 27104  
Attention: President and CEO

Your address for the purpose of giving notice is the address appearing after Your signature below or such other address You provide to Us in writing.

- Q. No Guarantee of Residence.** Arbor Acres' execution of this Agreement does not guarantee that any apartment or home will be available for Your occupancy during Your lifetime or prior to the termination of this Agreement for any reason.
- R. Governing Law; Venue.** This Agreement shall be governed by, interpreted, construed and enforced in accordance with the laws of the State of North Carolina, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of laws or any jurisdiction other than North Carolina. Except to the extent that the parties have agreed to an alternative mechanism for the resolution of a dispute, to the full extent permitted by law, any action, suit or proceeding arising out of or relating to this Agreement shall be brought and enforced in the courts of the State of North Carolina located in Forsyth County or of the United States District Court for the Middle District of North Carolina, and the parties hereby irrevocably submit to the exclusive jurisdiction of such courts and irrevocably waive any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in such courts. In the event of any such dispute, the non-prevailing party shall pay all reasonable costs, expenses and attorneys' fees incurred by the prevailing party.
- S. Survival.** Those rights and obligations that have accrued under this Agreement shall survive its termination, as shall those rights and obligations that by their terms survive termination and any provisions that must survive to give effect to their terms, as shall any obligation of Resident to pay costs or expenses under this Agreement that remain unpaid as of such termination.

*[Signature page follows.]*

Resident hereby acknowledges the receipt of the Arbor Acres' Disclosure Statement dated \_\_\_\_\_. Resident acknowledges that the Disclosure Statement was received prior to the execution of this Agreement and the payment of the Entry Fee to Arbor Acres. Resident understands this matter involves a financial commitment and associated risk, as well as a legally binding contract. Resident has had the opportunity to consult with an attorney and/or financial advisor who could advise Resident concerning this Agreement.

IN WITNESS WHEREOF, Arbor Acres has executed this Agreement and You have read and understand this Agreement and have executed this Agreement.

\_\_\_\_\_

Resident Name: \_\_\_\_\_

**Your Address**

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
City, State & Zip Code

**Arbor Acres United Methodist Retirement Community, Inc.**

\_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## BINDING RESERVATION AGREEMENT

### Arbor Acres United Methodist Retirement Community, Inc. Winston-Salem, North Carolina

The undersigned applicant(s) \_\_\_\_\_ [NAME(S)] \_\_\_\_\_ (“you” – In the event two people enter into this Agreement (defined below), the term “you” shall apply to them jointly and severally, except where the context otherwise applies.) hereby tender(s) this Binding Reservation Agreement (“Agreement”), together with payment of the Reservation Fee (described below), to Arbor Acres United Methodist Retirement Community, Inc., a North Carolina nonprofit corporation (hereinafter the “Corporation”, “we”, us” or “our”), for the purpose of reserving a living accommodation at the continuing care retirement community known as Arbor Acres that is owned and operated by the Corporation.

WHEREAS, Arbor Acres, a continuing care retirement community, is located at 1240 Arbor Road in Winston-Salem, North Carolina; and

WHEREAS, you desire to reserve a residence at Arbor Acres in new independent living units that are planned to be constructed at Arbor Acres (“New ILUs”), and the Corporation has approved your preliminary application for admission.

NOW, THEREFORE, you and the Corporation agree as follows:

I. **TERM.** This Agreement becomes effective when signed by both you and the Corporation, **and** the Corporation receives your Reservation Fee (described below). The Agreement terminates in accordance with Section V of this Agreement.

II. **THE RESERVED LIVING ACCOMMODATION.** You have reserved the living accommodation identified below. This Agreement gives you first priority to enter into a Residence and Care Agreement for the Reserved Accommodation (defined below) before the accommodation is made available to other applicants.

Living accommodation (*address*) \_\_\_\_\_, an apartment (as described in materials presented to you and/or as shown to you during a physical tour), located at Aldersgate Square in Arbor Acres (hereinafter referred to as the “Reserved Accommodation”).

The Corporation has made every effort to accurately describe the Reserved Accommodation, the New ILUs and the Arbor Acres community in the information materials and Disclosure Statement furnished to you. The Reserved Accommodation, the New ILUs and the Arbor Acres community may vary somewhat from the information furnished to you.

III. **PROJECTED DATE OF AVAILABILITY.** The date of availability is the actual date at which the Reserved Accommodation will be declared by the Corporation to be available for occupancy (“Availability Date”). Such Availability Date is projected to occur in December 2022. It is understood that such a projected Availability Date for occupancy is an estimate and may vary due to the actual availability of the Reserved Accommodation. The Corporation will provide you with reasonable notice of the actual Availability Date.

IV. **FEES.**

- A. **Entrance Fee Choices.** You agree to pay the Corporation an Entrance Fee in the amount of \$ \_\_\_\_\_ (“Entrance Fee”) as a condition of becoming a resident of Arbor Acres (“Resident”).
- B. **Terms of Payment.** The Reservation Fee (defined below) and Entrance Fee for the Reserved Accommodation shall be payable as follows:
- **Ten Percent Deposit.** You shall pay to the Corporation a reservation fee equal to ten percent 10% ( \_\_\_\_\_ ) of the Entrance Fee (“Reservation Fee”) less non-binding reservation deposit of \$1,000.00. The Reservation Fee shall be paid upon execution of this Agreement. The Reservation Fee will be placed in an escrow account with an FDIC-insured financial institution by the Corporation, subject to applicable law. Interest earned on the Reservation Fee will be retained by the Corporation and will not be paid to you or credited toward the fees due by you to the Corporation. The Reservation Fee and any priority deposit you paid to the Corporation, if any, pursuant to a Non-Binding Reservation Agreement, will be credited to the total Entrance Fee. The Entrance Fee for your Reserved Accommodation shall not be increased above the Entrance Fee set forth herein.
  - **Balance of Entrance Fee.** The Entrance Fee balance will be due and payable on or before the Availability Date. We will give you reasonable notice prior to the Availability Date.
  - **Monthly/Daily Fee.** In addition to the Entrance Fee, you agree to pay a Monthly/Daily fee for services. As of the date of this Agreement, the Monthly/Daily Fee (including dining plan, if applicable) based on the Reserved Accommodation reserved is currently \$ \_\_\_\_\_ per month, for \_\_\_\_\_ occupancy (*single or dual*). The initial Monthly/Daily Fee will be equal to the then current Monthly/Daily Fee for the Reserved Accommodation charged by the Corporation as of the Availability Date and will begin on the Availability Date, unless otherwise agreed to in writing by the Corporation. The Monthly/Daily Fee is subject to change as described in the Disclosure Statement.

If you do not take occupancy by the Availability Date, you shall accept financial responsibility for the Reserved Accommodation and pay the balance of the Entrance Fee, balance of any unpaid non-standard costs, and begin paying the applicable Monthly/Daily Fees beginning with the 1st day after the Availability Date, unless this Agreement is terminated prior to the Availability Date.

- V. **TERMINATION AND REFUND.** This Agreement will terminate upon any of the following occurrences:
- A. You fail to pay the Reservation Fee;
  - B. You die (or one of you dies if co-applicants) or if, on account of illness, injury, or incapacity, you (or one of you if co-applicants) would be precluded from occupying a living accommodation under the terms of the Corporation’s Residence and Care Agreement, before the Residence and Care Agreement becomes effective;
  - C. You submit to the Corporation written notice of termination of this Agreement for any reason;
  - D. You fail to sign a Residence and Care Agreement or to pay the balance of applicable fees in accordance with the terms of this Agreement;



- E. You experience changes in your financial status prior to occupancy at Arbor Acres that cause you to fail to meet Arbor Acres' financial qualifications for admission;
- F. Your future health care needs exceed the level of service provided in the Health Center of Arbor Acres; or
- G. The Corporation terminates this Agreement for good and sufficient cause (such as the New ILUs are not constructed).

If either you or the Corporation terminates this Agreement, the Corporation shall have the right to reassign the Reserved Accommodation, and you will have no further rights to that unit except that a surviving co-applicant shall be given the opportunity to enter into a new Reservation Agreement for the Reserved Accommodation based on single occupancy or on joint occupancy with another co-applicant before the Reserved Accommodation is offered to others.

In the event this Agreement is terminated for any reason, the Corporation shall refund any funds paid toward the Entrance Fee without interest, less an administrative fee equal to two percent (2%) of the Reservation Fee for the Reserved Accommodation, less any non-standard costs incurred by the Corporation at your request. Your refund will be paid within sixty (60) days of receipt of your or the Corporation's written notice to terminate.

**VI. RIGHT OF RESCISSION**

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by you by giving written notice of such rescission to the Corporation within thirty (30) days following the later of the execution of this Agreement or the receipt of a disclosure statement that meets the requirements of Section 58-64-1, *et seq.* of the North Carolina General Statutes. In the event of such rescission, you shall receive a refund of any funds paid toward the Entrance Fee without interest, less any non-standard costs incurred by the Corporation at your request. You will not be required to move into Arbor Acres before the expiration of such thirty (30) day period. Any such refund shall be paid by the Corporation within sixty (60) days following receipt of written notice of rescission pursuant to this paragraph.

- VII. PRECEDENT AGREEMENT.** This Agreement is precedent to the Residence and Care Agreement. Upon execution, the Residence and Care Agreement will immediately replace this Agreement. Before you are entitled to enter into the Residence and Care Agreement, we must determine that you qualify for residency at Arbor Acres.

**VIII. GENERAL**

- A. **Compliance with Applicable Laws.** You and the Corporation will operate in full compliance with all laws, rules, regulations and ordinances promulgated by lawful governmental authorities.
- B. **Confidentiality.** The Corporation has the responsibility to keep all of the personal, medical and financial information you have supplied to it confidential. You consent to the release of any of your personal and medical records maintained by the Corporation (i) to the Corporation's employees, staff and agents; (ii) to persons and organizations from whom you receive health care services; (iii) to third-party payors of health care services provided by the Corporation or other organizations; and (iv) to others deemed reasonably necessary by the Corporation for purposes of treatment, payment and operations of the Corporation, consistent with applicable state and federal health care privacy laws. You understand and agree that authorized agents of the state or federal government, including the Long Term Care

Ombudsman, may obtain your records without your written consent or authorization. Release of your records for other purposes shall be made in accordance with applicable law, with a specific authorization from you or your legal representative where required.

- C. **Assignment.** Your rights and privileges under this Agreement are personal to you and may not be transferred or assigned by you or otherwise.
- D. **Management of the Corporation.** Your rights will not include any managerial or ownership interest in your Reserved Accommodation, Arbor Acres, or the Corporation. The absolute rights of management are reserved by the Corporation, its Board of Directors and its administrators as delegated by said Board of Directors. The Corporation reserves the right to accept or deny any person for residency. Residents do not have the right to determine admission or terms of admission of any other Resident. The Corporation reserves the right to amend, implement or terminate policies and/or guidelines related to the operation of Arbor Acres in its sole discretion.
- E. **Affiliation.** The Corporation has no formal affiliations with any religious, charitable, or other nonprofit organization.
- F. **Indemnity.** You agree to indemnify, defend and hold us harmless from claims, damages or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your negligent or intentional act or omission.
- G. **Separability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.
- H. **Schedule of Fees.** You have been given a current copy of the Schedule of Fees as adopted by the Corporation. You understand that these documents will change from time to time as described in the Disclosure Statement.
- I. **Entire Agreement.** This Agreement constitutes the entire contract between the Corporation and you. The Corporation shall not be liable or bound in any manner by any statements, representations or promises made by any person representing or assuming to represent the Corporation, unless such statements, representations or promises are set forth in this Agreement or in an amendment to this Agreement signed by the Corporation's President/CEO and by you. Electronic (e.g., pdf) versions of this Agreement shall have the same legal effect as originals, and all of which, when fully executed, shall constitute one and the same instrument.
- J. **Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of the Corporation and the heirs, executors, responsible parties, powers of attorney, administrators and assigns of you.
- K. **Transfer of Property.** You agree not to make any gift or other transfer of assets for the purpose of evading your obligations under this Agreement, or if such gift or transfer would render you unable to meet such obligations under this Agreement. Gifts or transfers of assets in this manner, which result in your inability to meet your financial obligations in accordance with this Agreement, will entitle the Corporation to terminate this Agreement.

- L. **Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent or employee of ours shall have any personal liability hereunder to you under any circumstances.
- M. **Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement.
- N. **Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina without regard to conflict of laws principles.
- O. **Amendments and Partial Invalidation.** Generally, this Agreement can be changed only by mutual written consent. However, we can make changes without your consent to keep the Agreement in compliance with applicable laws and regulations; provided, that the changes we make do not substantially reduce your benefits under the Agreement, we provide notice of such change not less than thirty (30) days before the change, and we provide an amendment to this contract for your review and signature. If any provision in this Agreement is invalidated, all other provisions will remain in force.
- P. **Waivers.** Neither the failure nor any delay on the part of any party to exercise any right, remedy, power, or privilege ("Right") under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any Right preclude any other or further exercise of the same or of any Right, nor shall any waiver of any Right with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.
- Q. **Survival.** Those rights and obligations that have accrued as a result of the operation of this Agreement shall survive its termination, as shall those rights and obligations that by their terms survive termination and any provisions that must survive to give effect to their terms, as shall any obligation of a Resident to pay costs or expenses of his or her stay at Arbor Acres that remain unpaid as of such termination.
- R. **Gender.** Throughout this Agreement, the use of the masculine gender shall include the feminine, and the use of singular shall include the plural.
- S. **Interpretation.** Headings are for convenience and reference purposes only and shall not affect the interpretation of any provision of this Agreement.
- T. **Notice Provisions.** Any notices, consents, or other communications to the Corporation hereunder (collectively "notices") will be in writing and addressed as follows:

**Arbor Acres:**

Office of the President/CEO  
Arbor Acres United Methodist Retirement Community, Inc.  
1240 Arbor Road  
Winston-Salem, North Carolina 27104

**Applicant:**

Your address for the purpose of giving notice is the address appearing after your signature below.

You are responsible for notifying us of any changes in address and/or telephone number.

*[Signatures Follow on Next Page]*

The Corporation will stand behind all of the statements, promises and representations in this Agreement, but no others. If you feel something has been promised to you, but it is not specifically mentioned in this Agreement, now is the time to discuss it – before you sign this Agreement.

I (we) understand this matter involves a financial commitment and associated risk as well as a legally binding contract. I (we) was (were) encouraged to consult with an attorney and/or financial advisor who could advise me (us) concerning this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate, as of the day and year first above written, one duplicate copy of this Agreement being retained by each party.

Your signature below certifies that you have read, understand and accept this Agreement as of this (current date) \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

<p><b>ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC.</b></p> <hr/> <p>By (signature)</p> <hr/> <p>Printed Name</p> <hr/> <p>Title</p>	<p><b>APPLICANT(S) (or Applicant(s)'s Attorney in Fact) (*)</b></p> <hr/> <p>(signature) (SEAL)</p> <hr/> <p>(signature) (SEAL)</p> <hr/> <p>Current Address: Street</p> <hr/> <p>City, State, Zip Code</p> <hr/> <p>Telephone</p>
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(\*) If Attorney-in-Fact signs on behalf of the Applicant(s), a Filed Power of Attorney document must be attached to this Agreement.

**ACKNOWLEDGEMENT OF RECEIPT  
OF  
DISCLOSURE STATEMENT  
Arbor Acres United Methodist Retirement Community, Inc.  
1240 Arbor Road  
Winston-Salem, N. C. 27104**

As of the day and year above written in this Binding Reservation Agreement, the undersigned Applicant(s) acknowledges receipt of the Disclosure Statement of Arbor Acres United Methodist Retirement Community, Inc. dated \_\_\_\_\_, 20\_\_\_\_. The Disclosure Statement was received prior to the execution of this Agreement or prior to or at the time of the transfer of any money or other property to the facility, whichever occurred first.

As a prospective resident, the facility’s representatives have encouraged me to read the Disclosure Statement in its entirety before entering into any contract or written agreement or paying any fee.

I understand the facility, like all other continuing care facilities in the State of North Carolina, is subject to an act concerning registration and disclosure by continuing care facilities (the “Act”). Registration under the Act does not constitute approval, recommendation, or endorsement of the facility by the Department of Insurance or the State of North Carolina, nor does such registration evidence the accuracy or completeness of the information in the Disclosure Statement.

I understand this matter involves a financial commitment and associated risk as well as a legally binding contract. In evaluating the Disclosure Statement and the Financial Statements prior to any commitment, I was encouraged to consult with an attorney and/or financial advisor who could review these documents with me, if any matters contained herein are not clear, including an understanding of solvency and deficit fund balance levels for this and other continuing care facilities.

**ARBOR ACRES UNITED METHODIST  
RETIREMENT COMMUNITY, INC.**

**APPLICANT(S)  
(or Applicant(s)’s Attorney in Fact) (\*)**

\_\_\_\_\_  
By (signature)

\_\_\_\_\_  
(signature) (SEAL)

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
(signature) (SEAL)

\_\_\_\_\_  
Title

(\*) If Attorney-in-Fact signs on behalf of the Applicant(s), a Filed Power of Attorney document must be attached to this Agreement.

## VOLUNTARY ARBITRATION AGREEMENT

*This is a voluntary agreement, and it is not a condition for admission to this facility. You may receive care and treatment even if you do not sign this agreement.*

This Voluntary Arbitration Agreement (this "Agreement") is entered into by and between ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC., a North Carolina nonprofit corporation ("Arbor Acres"), and \_\_\_\_\_ ("Resident") [and \_\_\_\_\_ ("Resident's Representative")], collectively referred to as the "Parties" and individually as a "Party." This Agreement is an addendum to the residence and admission agreement between the Parties (the "Residency Agreement"), for which consideration has been given and received by the Parties. In further consideration for this Agreement, the Parties acknowledge they will receive mutual benefits from resolution of any dispute or controversy through efficient arbitration and other good and valuable consideration, the receipt and sufficiency of which is acknowledged by the Parties.

1. **Parties Defined.** Arbor Acres includes, but is not limited to, the operator, governing body, officers, directors, members, administrator, employees, managers, agents, and any parent company, subsidiary, or affiliates, and any person or entity alleged to be responsible for the acts or omissions of Arbor Acres. Resident includes, but is not limited to, Resident, Resident's Representative, guardian, conservator, attorney-in-fact, agent, sponsor, or any other person whose claim is derived through or on behalf of Resident, including, without limitation, his or her spouse, child, parent, executor, administrator, personal representative, heir, survivor, and anyone entitled to bring a wrongful death claim relating to Resident.
2. **Agreement to Arbitrate All Disputes.** This is a voluntary agreement by the Parties to have all disputes resolved through binding arbitration. Arbitration is an out-of-court alternate form of dispute resolution, decided by an impartial third party. Arbitration is different than traditional litigation in the court system, which has a judge, sometimes a jury, and trial. In the event of any dispute or controversy between the Parties, including those arising out of the diagnosis, treatment, or care of Resident by Arbor Acres, the dispute or controversy shall be submitted to binding arbitration.
3. **Application of Federal Arbitration Act.** The Parties agree that the Residency Agreement involves interstate commerce, through Arbor Acres' Medicare participation and with any purchase of items from outside the state of North Carolina. Accordingly, the Federal Arbitration Act applies to this Agreement.
4. **Duty to Demand Arbitration.** It is the claimant's responsibility to demand arbitration by giving notice to the other Party describing the nature of the controversy and the remedy sought. If a Party overlooks its obligation to arbitrate all disputes and participates in litigating a matter in the court system, such Party will not be deemed to have waived the right to compel arbitration, as long as the motion to compel arbitration is served before the first day of trial.
5. **Waiver of Judge, Jury, and Trial. No Appeal.** By signing this Agreement, you are waiving the right to have any and all disputes decided by a judge or by a jury trial. The arbitrator's decision is final and binding. There is no right to an appeal unless permitted by state statute.

6. **Arbitrator.** Within fifteen (15) days after a Party has given written notice to the other Party of demand for arbitration of a dispute or controversy, the Parties to the dispute or controversy agree that American Healthy Lawyers Association (“AHLA”) will administer the arbitration. In the event AHLA is unavailable, unwilling, or unable to administer the arbitration or appoint an arbitration panel, the Parties will agree on an arbitrator. If the Parties are unable to agree on the arbitrator, a sole arbitrator shall be appointed, upon request of a Party, by the court. The arbitrator shall hold a hearing within a reasonable time from the date of notice of selection of the neutral arbitrator.
7. **Expenses.** The arbitration expenses will be apportioned equally among the Parties, or will be paid as provided in the award.
8. **Representation by Lawyer(s).** The Parties may be represented by a lawyer prior to, during, and after arbitration.
9. **Grievances and Discharge/Transfers.** Despite this Agreement, Resident may file its grievances directly with Arbor Acres, with the long term care ombudsman, or with any applicable regulatory agency. Appeals of involuntary discharges or transfers will be heard by an administrative law judge as required by state/federal laws and regulations.
10. **Confidentiality.** The discovery, arbitration, and arbitration award are confidential.
11. **Severability.** If any term, phrase, or provision in this Agreement is held to be invalid or unenforceable by law, this Agreement will be deemed amended to conform with such law and will otherwise remain in full force and effect, as it is the Parties’ intent to ensure that any dispute is resolved solely by arbitration.
12. **Survival.** This Agreement applies to Resident’s readmissions to Arbor Acres and survives any termination of the Residency Agreement.
13. **Care Will Be Provided Regardless.** Care, diagnosis, or treatment will be provided whether or not Resident signs this Agreement.
14. **Right to Revoke.** Resident may revoke this Agreement by providing written notice to Arbor Acres within ten (10) days of signature. Any disputes arising prior to revocation will remain subject to this Agreement.

**You are strongly encouraged to consult with an attorney or a trusted advisor before signing this Agreement. You have the opportunity to ask questions before signing this document. Please do not hesitate to ask any questions that you may have.**

\_\_\_\_\_  
Signature of Resident \_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Resident’s Representative (if applicable) \_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Arbor Acres Representative\* \_\_\_\_\_  
Date

*\*Provision of services by Arbor Acres will constitute acceptance in absence of Arbor Acres’ signature.*