



DISCLOSURE STATEMENT

August 28, 2021

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, up to one (1) year and 150 days after the date of this Disclosure Statement. This statement may be delivered until revised, but not after January 25, 2022.**
- **Delivery of this Disclosure Statement to a contracting party before the execution of a contract for the provision of continuing care is required by North Carolina Law.**
- **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. (North Carolina Statutes do not provide for such governmental approval.)**

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Organization Introduction and Information

Moravian Home, Incorporated d/b/a Salemtowne (referenced herein as “the Corporation”, “Salemtowne”, “we”, “our”, “it” or “us”), is a private, continuing care retirement community on a 120+ acre site, which offers its Residents use of independent accommodations and care in our on-site Assisted Living Center and the Skilled Nursing Center and Memory Support Center within the Health Care Center. The community is located at 1000 Salemtowne Drive, Winston-Salem, North Carolina, (adjacent to Bethabara Park Boulevard) and has operated at this site since 1972.

Salemtowne has received licensure from the North Carolina Department of Insurance to operate a continuing care services program without lodging pursuant to Chapter 64 Article 58 Paragraph 7. This program is referred to as “Navigation at Home”. (See Section V for details of the program.)

Salemtowne is a charitable, non-profit corporation affiliated with the Moravian Church in America, Southern Province, and is governed by a volunteer Board of Trustees. The Corporation is a 501(c)(3) tax-exempt organization to which charitable contributions may be made. Our federal tax identification number is 56-0963926.

Neither the Board of Trustees nor the Moravian Church in America, Southern Province is responsible for the financial or contractual obligations of Salemtowne.

Salemtowne is founded on the principles of the Moravian Church. Our mission is to provide a broad variety of services to persons of retirement age.

Mission Statement

Salemtowne is a non-profit continuing care retirement community that promotes the well-being of its residents by providing a caring environment. Salemtowne is an ecumenical community that reflects the Moravian values of individual respect, hospitality, life-long learning and love of the arts.

Vision Statement

Salemtowne is a retirement community of excellence that fosters independence, security, wellness, and the growth of its residents to their full potential. Salemtowne supports older people and caregivers in the broader community through educational and community activities.

Values Statement

Salemtowne’s primary values are respect, integrity, and caring. These values guide us in our decision making, program development, use of resources, and operations.

We seek to live our values every day by:

- Treating each resident as a valued individual and with dignity, regardless of age or condition.
- Creating a homelike environment which is as non-institutional as possible, and which promotes quality of life, security, and wellness.
- Engaging in continuing education and evaluation to develop associates, improve services, and live up to our mission.
- Striving to be a great place to work which gives associates a sense of achievement and recognition.
- Providing leadership in the field of care for the aging, thus contributing to improve services for seniors in our society.

Salemtowne: A Quality First Community

Salemtowne was a charter member of the quality initiative launched by Leading Age (formerly American Association of Homes and Services for the Aging) and the American Health Care Association (AHCA) in 2003. Salemtowne signed a covenant pledging to achieve excellence by adhering to the Leading Age “Quality First” 10 Elements of Quality.

Leading Age “Quality First” 10 Elements of Quality

1. Commitment – Pledging to maintain and promote ethical practices and the highest standards of quality.
2. Governance and Accountability – Achieving and maintaining high standards of management and governance to improve quality consistent with our mission and values.
3. Leading-Edge Care and Services – Implementing models and practices that are based on evidence of success, represent the tradition of personal service and are adaptable to a changing society.
4. Community Involvement – Engaging in community citizenship and service - social accountability, volunteer involvement and relationship building.
5. Continuous Quality Improvement – Using CQI methods to enhance existing programs, improve effectiveness and foster a collaborative work environment.

6. Human Resources Development – Providing training, competitive wages/ benefits, and a supportive work environment.
7. Consumer-Friendly Information – Providing accessible and understandable information for older adults, families, and caregivers.
8. Consumer Participation – Engaging residents/clients, family members and consumers in care and services.
9. Research Findings and Education – Using and sharing the latest research findings to improve care and services for older adults.
10. Public Trust and Consumer Confidence – Committing to a policy of outreach, openness and authenticity to increase public understanding of quality aging services and earn the trust of the people we serve and their families – as well as the media, the public and policy makers.

Salemtowne is a member of the national organization for homes and services for the aged – Leading Age; the North Carolina Association – Leading Age North Carolina; North Carolina Health Care Facilities Association (NCHCFA) and the Winston Salem Chamber of Commerce.

Board of Trustees and Management Staff:

Salemtowne certifies that none of its Trustees nor Management Staff have ever 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, for any matter involving fraud, embezzlement, fraudulent conveyance or misappropriation of property. In addition, Salemtowne certifies that none of its Trustees nor Management Staff are currently subject to an injunctive or restrictive court order arising out of a related health care business activity in this or any other state. Finally, Salemtowne certifies that none of the Trustees or Management Staff have had any State or Federal license or permits suspended or revoked.

The Corporation is governed by a volunteer Board of Trustees (the “Board”) whose members are selected by the Provincial Elders’ Conference, by the Synod of the Moravian Church, Southern Province, and by the Board. The Board consists of not less than 12 and no more than 18 members, two of which shall be residents of Salemtowne. Non-resident Board members are elected for a four-year term and are eligible for re-election for a second term. Resident Board members may serve only one term or a maximum of four years on the Board before they must rotate off the Board for a period of at least one year. After being off the Board for a period of at least one year, a resident who has previously served on the Board is eligible for re-election to one additional four-year term. Standing committees of the Board are: Executive, Finance, Development, and Resident Life.

Following is a listing of the members of the Board of Trustees, and Management Staff - Officers of Salemtowne, their addresses and synopses of their relevant backgrounds and experience:

John Geis. *Trustee and Chairman. 317 Beechcliff Court, Winston Salem, NC 27104*

John Geis joined Wells Fargo as a Strategic Sourcing Consultant in 2019. Prior to joining Wells Fargo, he held several supply chain management roles at BB&T since 2005. Before working for BB&T, Mr. Geis spent five years as a Senior Strategic Sourcing Consultant for Wachovia Corporation. He also retired from the US Navy as a Commander.

Mr. Geis has been a BSA Scout Leader since 2009 with the Old Hickory Council.

Mr. Geis has an MBA from Appalachian State University and is a graduate of Virginia Military Institute.

Martha Shore Edwards *Trustee and Vice Chairman. 3651 Will Scarlet Road, Winston-Salem, NC 27104*

Marty Edwards has worked as a writer and fundraiser/public relations professional for over 40 years while enjoying raising three daughters with her husband, Palmer. She retired from Wake Forest University in 2014 and began consulting with non-profit organizations. Marty's aunt Mary Louise Shore was a resident at Salemtowne for many years, and this is Marty's second term on the Salemtowne Board. Marty and Palmer co-chaired the Salemtowne Pathways Campaign with her brother and sister-in-law, Ricky and Sally Shore. Marty volunteers with Kid's Cafe and Democracy North Carolina and is a member of the Rotary Club of Winston-Salem.

F. Keith Stirewalt. *Trustee and Secretary. 51 Carrisbrooke Lane Winston-Salem NC 27104*

F. Keith Stirewalt, PA-C MBA MDiv is the Program Director for FaithHealth Clinical Medicine. His work focuses on medical education, ethics, and narrative medicine during serious illness and end-of-life. Keith received his PA as a Physician Assistant from Wake Forest School of Medicine, his MBA from the Bryan School of Business at UNC-Greensboro, his MDiv from the Wake Forest University School of Divinity, and two years of chaplain residency from the School of Pastoral Care at Wake Forest Baptist Medical Center. Additionally, Keith is a candidate to receive his Doctor of Medical Science, focusing on medical education, in the winter of 2021.

Keith is married to Margaret Norris, has three children, and two grandchildren. He is an ordained Baptist minister and a member of Home Moravian Church in Winston-Salem, NC.

John Elster. *Trustee and Treasurer. 150 Plymouth Avenue Winston-Salem, NC 27012.*

John Elster is the Owner/President of Personal Properties Solutions, a business that he started in 2017 to assist individuals with the disposition of their personal property. He works with families when downsizing as well as with executors and attorneys when settling estates. He enjoys helping to identify items of value that might otherwise be overlooked in an estate. Prior to 2016, John had a 29-year career as a bond trader. He managed the Money Market Trading Desk at Wachovia Bank (1987-2002) and served as a managing director at BB&T Capital Markets (2002-2016). John holds a BA in Economics from Davidson College. As a bond trader he held various securities licenses including the Series 7, 9 & 10. In 2017 he completed the core curriculum for personal property appraisals through the American Society for Appraisers.

John currently volunteers at Home Moravian Church as the Chair of the Board of Trustees, usher and member of the Building & Grounds Committee. He is an Ex Officio member and past chair of the of the Finance Committee. John also serves on the investment committee at the Moravian Ministries Foundation of America.

Chris Perry. *Trustee. 830 Oaklawn Avenue, Winston Salem, North Carolina 27101*

Chris Perry left a career on Wall Street moving from Summit NJ to Winston Salem and founding New South Associates NS in early 2004. New South Associates is a consulting company that primarily provides bond-investing advice to corporations and educational institutions.

Chris has an undergraduate degree in history from Vanderbilt University and an MBA from Northwestern University (where he majored in finance and accounting). Chris's 25-year Wall Street career included holding positions as Managing Director and Head of E-Commerce at HSBC, USA, and Senior Vice President for Taxed Fixable Income at Prudential Securities in both New York and London.

As a consultant, volunteer and an investment banker, Chris has been actively involved in raising money for eleemosynary institutions including his college alma mater, Vanderbilt University, his Church's in Summit NJ and London and his mission work in Africa. Chris has also served on two senior pastor search committees in both London and New Jersey. For the past ten years alongside the bond consulting work Chris's "second act" includes teaching AP Macro-Economics to seniors at FCDS and co-founding a men's Christian group, the Winston Salem chapter of The New Canaan Society. Chris has also been active in mission work especially in Africa, where he sits on the board of Earthwise Ventures, a passenger ferry company operating on Lake Victoria in Kampala, Uganda and the Sure Foundation operating in Malawi.

Ann Barefield. *Trustee and Resident. 130 Wareham Lane Winston-Salem, NC 27106*

Dr. Barefield has been involved in the field of education since she graduated from college. She received her undergraduate degree from Salem College in Winston-Salem, North Carolina and her masters and doctorate degrees from the University of Missouri in Columbia, Missouri. She was a teacher, Assistant Principal, Principal, Director of Curriculum and Instruction, and Assistant Superintendent of Schools in Missouri. She was Coordinator of Middle Grades Education and Chair of the Department of Education at Winston-Salem State University in Winston-Salem, North Carolina. She retired in January 2012 from Nova Southeastern University in North Miami Beach, Florida where she was either a committee chair or committee member for doctoral students working on their dissertations in the areas of Educational Administration, Reading and Special Education.

Ann served as president of the Unitarian Universalist Fellowship of Marion County in Summerfield, Florida for 4 years. She is a member of the Florida UUA District Speaker's Bureau and spoke at numerous Unitarian Universalist churches and fellowships throughout central Florida and a member of the Professional Development Committee and the Grant Committee for the Winston-Salem Women's Fund and the Education Committee for CHANGE. She has been co-chair of the Membership Committee, member and chair of the Social Action Council, Chair of the Stewardship Committee, and coordinator of the CHANGE Core Team at the Unitarian Universalist Fellowship of Winston-Salem. She also served as President of the Board of Trustees at UUFWS. She served as Precinct Chair for the Democratic Party for Precinct 907.

Ann currently lives at Salemtowne Retirement Community. She is chairing the Policies and Procedures Committee and serves on the Small Group Ministry Team at UUFWS. She is active in the Women's Fund, serves on the Planned Parenthood Council for Forsyth County, and co-chairs the Inclusion Group at Salemtowne. She is also a member of a local book group and a play reading group. She has recently been elected to the Board of Trustees of Salemtowne, is serving on the Finance Committee and the Resident life Committee at Salemtowne.

Matthew Dolge. *Trustee. 6345 Armsby Road, Clemmons, NC 27012*

Matthew Dolge is the Executive Director of Piedmont Triad Regional Council since 1995. Prior to 1995, Mr. Dolge was the City Manager of the Town of Tryon. He received a B.S. in Political Science from Appalachian State University.

Mr. Dolge has served as the Vice-Chairman of the Directors' Association of the NC Lead Regional Organization, Board Member of the Southeastern Regional Directors Institute, and Board Member of the National Association of Development Organizations. He has also been involved with the Twin City Kiwanis Club, Spiritual Aims Committee, Southwest Forsyth Little League, Holy Family Church, and Appalachian State Local Government Alumni Association.

John Ferguson. *Trustee. 915 Riverbend Drive, Advance, North Carolina 27006.*

Mr. Ferguson serves as a County Commissioner in Davie County, North Carolina. Previously he served as the Mayor of the Town of Bermuda Run. Mr. Ferguson is retired from Wachovia Bank where he served as a Senior Vice President and managed Information Processing, Bond operations, Brokerage operations and Trust operations.

He is active in the community currently serving on the board of the Hospice Foundation and Clemmons Moravian Church. Mr. Ferguson has also served as a board member of the Davie County Foundation and as the President of Bermuda Run Country Club Board of Governors.

Grover “Chip” Mims, MD *Trustee and Resident. 6312 Salemtowne Drive Winston-Salem, NC 27106*

Dr. Mims is a retired Associate Professor of Anesthesiology, Wake Forest University School of Medicine. He served for 15 years as Medical Director of Inpatient OR's and 19 years as Medical Director of the Outpatient Surgical Center. Chip grew up in Kingsport, Tennessee. He attended Carson-Newman College and medical school at what was then Bowman Gray School of Medicine. Mr. Mims served a one-year surgical internship at NC Baptist Hospital and 2 years of active duty in the Navy as a submarine medical officer on the nuclear submarine Casimir Pulaski SSBN633, Blue crew.

Chip is on the boards of Care-Net Counseling of Winston-Salem and the Samaritan Institute, based in Denver, Colorado. He is active in his local church, Knollwood Baptist, teaching an adult Sunday School Class. He is a resident of Salemtowne.

Kathleen O'Brien *Trustee. 1371 Union Cross Road Kernersville, NC 27284*

Kathleen O'Brien has over 30 years of experience as a Registered Nurse. She has served as a Staff Registered Nurse (“RN”) at Novant Hospital and Baptist Hospital, and spent over 16 years at Wake Forest School of Medicine in various positions including the Head Nurse Research Coordinator and Clinic Nurse for Dept of Cardiology, Section of Electrophysiology, a Nurse Research Coordinator, Department of Neurosurgery, RN Department of Oncology, and RN Instructor. Ms. O'Brien is certified in Hospice and Palliative Care and has served as the Team Manager for Home Care for Hospice and Palliative Care, Director of Nursing Kate B. Reynolds Hospice Home and is currently a Staff Nurse at SECU Hospice Home Mt. Valley Hospice and Palliative Care.

Betty C. Petree *Trustee. 2300 Lyndhurst Avenue Winston-Salem, North Carolina 27103*

Betty Petree is the owner and operator of Copper Kettle Anesthesia Service in Winston-Salem, North Carolina and has over 40 years of experience in Anesthetists as a teacher/instructor, researcher and author, a professional speaker and from most recently serving as the Vice President Surgical Services and the Interim Director of Surgical Services at Wake Forest University Baptist Medical Center.

Ms. Petree currently is a member of the American Association of Nurse Anesthetists, North Carolina Association of Nurse Anesthetists (NCANA), North Carolina Baptist Hospital School of Anesthesia Alumni Association and Executive Committee, School of Wake Forest Baptist Hospital Anesthesia. She has previously held offices as the Secretary-Treasurer, North Carolina Baptist Hospital School of Anesthesia Alumni Association; the Program Committee Chairman, NCANA; Program Committee, NCANA Vice President, NCBH School of Anesthesia Alumni Association; Nominating Committee, NCANA; Board of Trustees, Salemtowne Retirement Community; Program Committee, NCBH School of Anesthesia Alumni Association; AANA Council on Recertification; Vice-Chairman, AANA Council on Recertification; Chairman, AANA Council on Recertification; and Strategic Planning Committee, NCANA.

Ms. Petree has received prestigious awards including National Clinical Practitioners Award, Who's Who in Professional Nursing, Nominee and winner for Best 100 Nurses in North Carolina, Who's Who Among Human Services Professionals, President's Citation (Employee of the Year), North Carolina Baptist Hospital, Who's Who Among American Women Professionals, Who's Who Among Americans in the Southeast, Who's Who in Medicine and Health Care; Who's Who in the World, and Manchester Who's Who Award.

Betty Petree holds a DIP in Nursing from Davis Hospital School of Nursing in Statesville, North Carolina and graduated from the Nurse Anesthesia Program from the North Carolina Baptist Hospital in Winston-Salem, North Carolina.

The Rt. Rev. Dr. Graham Rights. *Trustee. 553 Steeple View Court, Winston Salem, North Carolina 27101.*

Bishop Rights is an ordained minister and bishop in the Moravian Church. He earned a BA Degree from the University of North Carolina at Chapel Hill, a BD from Yale Divinity School, and did further study at Moravian Theological Seminary and New College, University of Edinburgh, Scotland.

Bishop Rights has served congregations in Managua, Nicaragua; and Mayodan, Winston Salem, and Greensboro, NC. He has also served as Executive Director of the Board of World Mission of the Moravian Church in America with office in Bethlehem, PA, and as President of the Provincial Elders' Conference of the Moravian Church, Southern Province, with office in Winston-Salem.

In the community he currently serves on the Board of Crisis Control Ministry of Forsyth County. He has previously served on various boards of the Moravian Church and on boards of the Pastoral Care Foundation of NC Baptist Hospital/Wake Forest Baptist Health, Ecumenical Institute of the Carolinas, Wachovia Historical Society, CareNet of the Triad, and Salemtowne.

Corlis Sellers-Drummond. *Trustee. 4350 Sandalwood Court Winston-Salem, North Carolina 27106.*

Corlis Sellers-Drummond was appointed as Special Assistant to the Chancellor for Strategic Priorities on August 26, 2016. In this role, she supports special projects and initiatives in the Chancellor's Office. Prior to her appointment as Special Assistant, she served as Executive Assistant to the Chancellor since December 2013.

Following her retirement as a member of the Senior Executive Service (SES) from the U.S. Department of Labor in 2010, Mrs. Sellers-Drummond was employed by the Roman Catholic Diocese of Camden, N.J. In the Diocese, she served as the Liaison to the Bishop for Black Catholic Ministry Commission.

From 1999 to 2010, she served as the Northeast Regional Administrator for the Department of Labor's Wage and Hour Division where she led a staff of over 300 (mostly Wage and Hour investigators) in labor law enforcement efforts in thirteen states in the northeast and Mid-Atlantic and in the territories of Puerto Rico and the U. S. Virgin Islands. Mrs. Sellers-Drummond has over 27 years of senior management experience with the U. S. Department of Labor in areas of labor law compliance, strategic planning, policy development, budget, financial management, and governmental relations. This management experience includes over two years of service as the Executive Assistant and Chief of Staff to a former Assistant Secretary of Labor, as well as an assignment to the White House where she served as the leader of the Defense and Veterans Affairs Team for then Vice President Gore's National Performance Review.

In 2004, Mrs. Sellers-Drummond was appointed by then U. S. Labor Secretary Elaine Chao to lead the Fair Pay Enforcement Task Force, which was established to ensure nationwide compliance with the newly revised Fair Labor Standards Act white collar exemption rules. In 2000, she received a Presidential Rank Award for Meritorious Achievement for her work in combating illegal child labor in the U.S. Mrs. Sellers-Drummond served on the Senior Executive Service Resources Board and the Senior Executive Service Performance Review Board in the U. S. Department of Labor.

Corlis obtained a BS, from Hampton University, Secondary Education

Patti Stoltz. *Trustee. 4355 Mashie Drive Pfafftown, North Carolina 27040.*

Pattie grew up in Denver, Colorado and then moved with her family to Maryland outside the D.C. area for her high school years. Patti attended Duke University and married her college sweetheart, Jerry D. Stoltz, in 1964. She began her teaching career of 46 years at Durham High School while Jerry finished his football eligibility.

The Stoltzes then moved to Winston-Salem where she taught at East Forsyth High School for two years before becoming a stay-at-home mom. In 1975 she began teaching at Forsyth Country Day School, a career that lasted for 43 years; she retired last June.

While at Forsyth Country Day School, Pattie held several positions, including English Department Head, Director of Academic Life, College Counselor and Upper School Head for 14 years.

Patti also served on several SACS (Southern Association of Colleges and Schools) evaluation teams. Currently she is serving her second term on the Board of Trustees for New Hope United Methodist Church and teaches an adult Sunday School class.

Elms Allen. *Trustee. 513 Westover Avenue, Winston-Salem, NC 27104.*

Dr. Allen and his wife Harriet have been long-time members of First Pres, and Elms had a long and illustrious career in Winston-Salem as an oncologist, hospital administrator, and development officer with the Novant Health Center. This is the third time he has come out of retirement, and he feels that God has been calling him to this ministry position for some time. His background as a physician and his gentle and caring spirit along with his deep commitment to Jesus Christ make him uniquely qualified to fill this role on our church staff. And his experience as an elder on Session and teacher in our adult Sunday School program for many years are additional gifts he brings to the position.

The Association of Fundraising Professionals (AFP), Triad Chapter recognized Dr. Elms and Mrs. Harriet Allen with the Lifetime Achievement in Philanthropy award in 2016. The couple was honored at the organization's 24th National Philanthropy Luncheon, for those who have made significant endeavors with philanthropic giving, volunteer efforts or professional service to the nonprofit field.

Dr. and Mrs. Allen have been generous donors to numerous organizations in the area, including the United Way of Forsyth County, Samaritan Ministries, Street School, First Presbyterian Church, the Winston Salem Symphony, and the Novant Health Forsyth Medical Center Foundation.

A Novant Health Forsyth Medical Center Foundation cancer fund has been renamed the Elms Allen Cancer Fund and will be used to give support to cancer patients. The change was created to honor Dr. Elms Allen's retirement from Novant Health after many years of service. Allen was instrumental in the creation of Derrick L. Davis Cancer Center.

Larry Colbourne. Trustee. 110 Lonetree Court, Advance, NC 27006.

President, Mebane Charitable Foundation. Before joining Mebane Charitable Foundation, Mr. Colbourne was Vice President of Development for Winston-Salem Industries for the Blind. He had spent 12 years with Wachovia Bank in its Retail Banking and Loan & Credit Marketing Department. He is a member of the Mocksville Rotary, past president of the Winston-Salem Twin City Host Lions Club and past board chair for the Davie Family YMCA. He is a 2006 graduate of Leadership Winston-Salem. He received a B.A. from Wake Forest University in 1990 and was a three-year letterman on the Demon Deacon baseball team. He lives in Advance, North Carolina with his wife Beverly and has two sons, Darren a grad student at NYU, and his youngest son Craig, a senior at the Poole College of Management at NC State.

Aimee Smith. Trustee. 110 Oakwood Drive, Suite 300, Winston-Salem, NC 27103.

Aimee L. Smith is a partner with the law firm of Craige, Jenkins, Liipfert & Walker LLP in Winston-Salem. She is a graduate of the University of North Carolina – Greensboro (B.A., 1995); and of the Wake Forest University School of Law (J.D., 2002). Ms. Smith was admitted to the North Carolina State Bar in 2002. She focuses her practice on issues related to elder law including, long-term care planning, Medicaid planning, and guardianship.

Ms. Smith is a member of the Forsyth County Women Attorneys and North Carolina Bar Associations. She has served her community by serving on the boards of Financial Pathways and the Shepherd's Center of Greater Winston-Salem. She has also been a member of The Women's Fund through the Winston-Salem Foundation.

R. Patrick Yeatts, MD. Trustee. 1750 Meadowbrook Drive, Winston-Salem, NC 27104.

R. Patrick Yeatts, MD was born in Richmond, Virginia and at a young age, moved to Winston-Salem, NC where he spent his formative years. He received his BS degree from Hampden-Sydney College in Virginia and his MD degree from the Wake Forest University School of Medicine. He completed an ophthalmology residency at the Mayo Clinic and a fellowship in ophthalmic plastic and reconstructive surgery at Massachusetts Eye and Ear Infirmary and Harvard University.

Following his training, Dr. Yeatts returned to Mayo Clinic as a Consultant in Ophthalmology. After three years in private practice, Dr. Yeatts joined the Department of Ophthalmology at Wake Forest University School of Medicine. He remained in academic practice there from 1987 until his retirement in 2018 as Professor of Ophthalmology with a cross-appointment to the Department of Otolaryngology and Head and Neck Surgery.

A Mayo Scholar and Heed Fellow, Dr. Yeatts is a recipient of the Teaching Award given annually by the residents in ophthalmology and the AAO's Achievement Award. He is recognized by Who's Who in American and Best Doctors in America. Dr. Yeatts served as the Director of the Oculoplastics and Orbital Service during his tenure at Wake Forest University School of Medicine and as Vice Chairman of the Department of Ophthalmology from 2004 to 2015. He is a past president of the North Carolina Society of Physicians and Surgeons, an Associate Examiner for the ABO, and member of the editorial board of

Ophthalmic Plastic and Reconstructive Surgery. Dr. Yeatts publications covered a variety of topics that included topical chemotherapy in the treatment of ocular surface malignancy, novel reconstructive techniques to reduce morbidity in orbital surgery, the use of doppler ultrasound to assist in the development of vascular pedicle flaps, and a survey of the quality of life in Graves ophthalmopathy patients.

Dr. Yeatts is married to his high school sweetheart and reared three sons, among them a physician, a journalist, and an attorney. Although racing a one-class design sailboat was his avocation in the first half-century of his life, today Dr. Yeatts is more likely to be found on the golf course or fly fishing when not enjoying the company of his children or five grandchildren.

Management Staff - Officers:

Mark A. Steele. *President and Chief Executive Officer.*

Dr. Steele is responsible for the overall management of the Corporation. Dr. Steele joined Salemtowne in August 2015, having previously served as President and General Manager of China Operations of Cornerstone Affiliates International (a subsidiary of American Baptist Homes of the West “ABHOW”) in Pleasanton, CA since 2013. In that prior position, he was responsible for planning an expansion into the Chinese market and overall growth and profitability of the organization. Dr. Steele held a number of positions within the ABHOW organization for sixteen years as well positions in the senior living industry such as: Vice President, Regional Operations Manager of Continuing Care Retirement Communities, California and Arizona, 2004 to 2013; Executive Director of The San Joaquin Gardens in Fresno, CA, 1999 to 2005; Associate Director of The Samarkand, Santa Barbara, CA, 1993 to 1999; Administrator of Crista Nursing Home, Seattle, WA, 1992 to 1993; Administrator, Fred Lind Manor, Seattle, WA, 1991 to 1992; Assistant Administrator, Branch Villa Health Care Center, Seattle, WA, 1990 to 1991; and Church Pastor at Western District of the Missionary Church, Camarillo, CA, 1983 to 1990.

Dr. Steele completed a Doctor of Ministry, Leadership and Global Perspectives from George Fox University, Portland, OR, obtained his Master of Business Administration from La Verne University, La Verne, CA, his Master of Divinity from Biola University, La Mirada, CA, and his Bachelors of Arts in Speech Communications from Polytechnic State University, San Luis Obispo, CA.

Cham Dickey. Controller and Interim CFO

Mr. Dickey joined Salemtowne as controller January 2020 after 17 years as senior financial executive for Friends Homes, inc. Prior to joining Friends Homes Mr. Dickey spent three years in public accounting in Tampa, FL before he and his wife moved their family to Greensboro, NC where he was the manager of financial systems for a major textile company. Mr. Dickey is a CPA/CGMA with a bachelor's degree in accounting and economics from the University of South Florida.

Allison Vessels. Vice President of Human Resources.

Dr. Allison E. Vessels joined Salemtowne in 2021 as Vice President of Human Resources having previously served at Windsor Run, an Erickson Senior Living community in Matthews, NC. She is an accomplished Senior Human Resources professional with 25+ years of proven experience in the effective delivery of HR programs, strategies, and technology within a variety of sectors including healthcare, pharmaceuticals, banking, insurance, higher education, and engineering.

Allison holds a Bachelor of Science in Psychology from Presbyterian College with a minor in business administration; Master of Human Resource Development from Clemson University; and a Doctorate of Education from Clemson University with an emphasis on Human Resource Development. She has achieved the honor of Senior Certified Professional (SCP) and Senior Professional in Human Resources (SPHR).

Joseph Yoon. Vice President of Health Care Services.

Mr. Yoon joined the Corporation in June 2018 having previously served as Director of Health Services for Aldersgate United Methodist Retirement Community, a Life Care Community located in Charlotte, North Carolina. Mr. Yoon is licensed as a Nursing Home Administrator in North Carolina. Mr. Yoon has previously served as an Executive Director, Assistant Administrator, Assisted Living Coordinator, Health Services Associate and a Section 8 Senior Housing Community Manager. Mr. Yoon attained a bachelor's degree in Management of Aging Services from the University of Maryland Baltimore County.

Physical Description of the Community. Salemtowne is located on a 120+ acre site, off Bethabara Park Boulevard in Winston Salem, North Carolina. The Community provides housing and services, including health care, to individuals of retirement age and currently consists of:

- 224 Independent Living Accommodations
- 46 Assisted Living (Adult Care Home) Accommodations
- 100 Health Care Center Living Accommodations (All are Medicare certified, of which 20 are also Medicaid certified.) and 20 Memory Support Accommodations
- Community Center
- Fitness Center which includes land and equipment exercise areas, an indoor aquatic pool and whirlpool and Wii exercise and entertainment system
- Walking trails
- Over 25 acres of environmentally protected property
- Four-acre lake
- Art Galleries
- Complimentary Wi-Fi
- Emergency Response System for the entire 125-acre campus

Refer to Section II., herein, for a detail listing of the various Living Accommodations.

The community also includes reception areas, dining rooms, private dining rooms, coffee shop, art galleries, lounges, multi-purpose rooms, convenience/gift shops, beauty/barber shops, creative arts areas, wood working shop, library, game rooms, as well as housing support services including kitchens, maintenance, laundry and housekeeping.

I. Services

The services and facilities that are provided through the Entrance and Monthly/Daily Fees are described in detail in the Residence and Services Agreements and are summarized below:

The following services are provided to all residents, and are included in the Monthly/Daily Fees. (Fees will not be reduced or unbundled for services that residents decline, such as dining.)

- Flexible dining plan - Independent Living residents' monthly service fees include flexible dining allowances based on their accommodation and fee plan. Assisted Living and Skilled Nursing Center and Memory Support Center residents do not participate in a dining allowance plan. Three meals per day are provided to these residents as a part of their monthly service fees.
- Utilities, except telephone service
- Basic Cable television service and Wi-Fi Internet services
- Housekeeping services
- Laundry facilities
- Maintenance services
- Limited local medical transportation
- Social, spiritual, intellectual, and recreational programs
- Pastoral care
- Consultation of health concerns through Salemtowne's clinic
- Nutritional counseling
- 24-hour medical emergency call system, security and fire protection

Salemtowne reviews services and costs of operations, as well as the need for any changes in services regularly. Salemtowne reserves the right to change the services provided to residents and the associated fees and charges.

Certain services are not provided by Salemtowne. These are detailed in the Residence and Services Agreements. These services are not included in the Residence and Services Agreements' Monthly/Daily Fees but can be provided at the Resident's additional expense. This is not an all-inclusive listing of services you may request or utilize. With respect to services not listed, consult the resident handbook, schedule of charges (both provided to residents) or the Finance Office.

- On-site Physician Visits
- On-site Laboratory Services
- On-site X-ray Services
- On-site Podiatric Care
- On-site Rehabilitative Therapy
- On-site Dental Care
- On-site Occupational Therapy
- On-site Therapeutic activities
- Pharmacy Services
- Additional dining services in excess of dining plan selected
- Catering and guest meals
- Physician and Specialist services
- Private duty nurses and personal aides
- Wheelchairs, walkers and other medical equipment and supplies
- Certain cultural and sightseeing trips
- Special transportation for individual or group trips
- Alterations to living accommodation, if approved by Corporation
- Grounds keeping, personally requested services, if approved by the Corporation
- Limited storage, as available

Babcock Health Care and Rehabilitation Center - Health Care Center.

The Health Care Center is provided for the benefit of the Residents. Private accommodations are provided in the Health Care Center as well as a Special Care area, which serves the needs of individuals diagnosed with Alzheimer's or other dementia-related diseases. Nurses are on duty 24 hours a day, and all Living Accommodations are equipped with an emergency call system.

The overall coordination and provision of health care services is provided by the Resident Review Committee and a Medical Director who is a licensed physician selected by the Corporation. A physician is on campus on specified days of each week. Residents may choose to use this physician or continue to use their own private physicians. Residents will be responsible for charges for services by such physicians and any consultants.

Temporary care, ordered by a physician, is available in the Health Care Center or Assisted Living Center for treatment of short-term illnesses or injuries.

Clinic and Related Services. A clinic is maintained for Residents in which nursing staff offers some non-emergency medical treatment and consultation of health concerns.

On-Site Emergency Call Response. Each Living Accommodation is equipped with an emergency call system. This system covers substantially all the outside campus areas as well. Salemtowne's staff will respond to emergency calls.

Emergency Medical Care. Salemtowne will assist residents in an emergency. When emergency medical care is necessary Salemtowne's staff will summon emergency medical services to assist you and if requested, notify your physician. If acute medical care is necessary the Resident will be transferred to a local hospital Emergency Room.

Assisted Living Center. The Assisted Living Center is provided for the benefit of the residents. Private accommodations will be provided for residents in the Assisted Living Center. The Assisted Living Center is licensed to provide services to individuals who require some assistance with activities of daily living, including but not limited to: bathing, dressing, and medication administration, dining room assistance, monitoring of vital signs, and nursing assessments.

Other Services Provided. Residents may not engage third parties for services to be rendered within Salemtowne without prior notification to and authorization by Salemtowne Management.

Pharmacy. Pharmacy services are available to all Residents through a third-party pharmacy. Independent Residents may choose to use this service or any pharmacy of their choice. Assisted Living, Memory Support Center and Skilled Nursing Center Residents are encouraged to purchase medications through this service since medications for these Residents are distributed by Salemtowne's nursing staff and must be packaged by unit dose.

Future Expansion Projects

In 2018 Salemtowne began a master planning process that is considering the construction of a new assisted living building, additional independent living apartments, as well as analyzing the existing Vogler Building, common space, kitchens, dining spaces and other needs on the campus. In addition, Salemtowne also plans to explore other capital related projects on the current campus that could include the renovation of the current dining facilities and the construction of a new walking trail. No final plans have been decided upon and no decision regarding any financing thereof has been made.

II. Fees

Salemtowne offers attractive, comfortable Living Accommodations at affordable prices. Salemtowne allows for direct entry into the Assisted Living Center as well as the Health Care Center.

Residents who choose to become a part of the Salemtowne community through entry into independent living are required to pay a one-time Entrance Fee, which is determined by the Living Accommodation selected. Monthly/daily fees are also charged for services provided.

Residents may request Living Accommodation customizations. Such customizations must be approved by Salemtowne. The costs and maintenance of such features are the responsibility of the resident.

Residents directly admitted to the Health Care Center do not pay Entrance Fees but do pay monthly/daily fees for services provided. A one-time, non-refundable, Community Fee may be required for direct admissions to the Assisted Living and Westerly Place.

Residents who have paid an Entrance Fee to the community will participate in the Room & Board Discount Program in place of the Entrance Fee Grace Days Program. These Residents, who have a stay in the Health Care Center or the Assisted Living Centers, will receive a discount from published external admission room and board rates. This discount program is subject to change. As of the date of this Disclosure Statement, the discount is 20%.

Priority Entry. Residents are provided priority entry over non-residents for entry to the Health Care Center or Assisted Living Center. The community will make every effort to accommodate residents in the Health Care Center and/or Assisted Living Center but cannot guarantee availability of accommodations. In the event the Health Care Center and the Assisted Living Center are fully occupied when a Resident needs care, the Resident agrees to relocate to an alternate health care facility that provides services similar (“a Comparable Facility”). In the event of relocation, the community will make every effort to transfer the Resident back to Salemtowne when accommodations become available.

Upon the Resident’s relocation to a Comparable Facility, the Resident will continue to be responsible for the Monthly/Daily Fee (unless their Living Accommodation is surrendered). Salemtowne will not be responsible for the charges associated with the alternate accommodations.

Entrance Fee and Deposit. The Entrance Fee balance and unpaid non-standard feature costs will be due and payable 10 days prior to the date of occupancy. Reasonable notice is given prior to the projected date of occupancy. Occupancy is defined as the first day that a Resident either resides in the Living Accommodation or the first day that the Resident's furnishings or belongings occupy the Living Accommodation or a storage area at Salemtowne.

Notwithstanding the foregoing, unless agreed upon in writing, the resident must take occupancy within thirty (30) days after the date the Living Accommodation is available for occupancy in accordance with the Reservation Agreement. If occupancy is not taken by such time, the resident shall accept financial responsibility for the Living Accommodation and pay the balance of the Entrance Fee, balance of any Non-Standard Costs, and begin paying the applicable Monthly / Daily Fees beginning with the 30th day after the date the Living Accommodation is available for occupancy, unless this Agreement is terminated prior to the 30th day after the date the Living Accommodation is available for occupancy.

Adjustments To Fees. The Entrance Fees and Monthly/Daily Fees are usually set annually to provide the facilities, programs and services described in this disclosure statement and are intended to meet the cost of debt service, insurance, maintenance, administration, staffing and other expenses associated with the establishment, operation and management of Salemtowne. The Corporation shall have the authority to adjust the fees from time to time as the Corporation in its discretion deems necessary. Any such increase in the fees or other charges may be made by the Corporation upon thirty (30) days written notice to the Residents.

Ancillary and Additional Fees for services are published by the organization and may be adjusted to meet the current costs of providing those services. The organization endeavors to give 30 days' notice on the adjustment of these fees, but reserves the right to adjust them at any time.

If it should be determined that the Corporation is required to pay ad valorem taxes upon its property, the Monthly/Daily Fee may be adjusted to reflect the amount of such taxes.

In the event Salemtowne is assessed sales or use tax on Monthly/Daily Fee and/or fees for other services, Residents are responsible for all such taxes.

Residents are responsible for all taxes assessed on their personal property.

For a partial first month, the Monthly/Daily Fee is pro-rated on a per diem basis. Thereafter, Monthly/Daily Fees are paid in advance.

Entrance Fees, Monthly Fees and Additional Fees in effect at the time of this Disclosure Statement are listed in Appendix C.

Historic Changes in Major Fees. The following table shows average changes in the monthly service fees over time. Note that it is the average dollar amount of the CHANGE in fees from year to year that is shown – NOT the fees themselves. All changes during this period occurred once per year on June 1st, except as noted below in footnotes (1, 2)

| Effective Date | Independent Living | | Assisted Living | | Memory Support | | Skilled Nursing | |
|----------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|------------------------|
| | % Per Month (Average) | \$ Per Month (Average) | % Per Month (Average) | \$ Per Month (Average) | % Per Month (Average) | \$ Per Month (Average) | % Per Month (Average) | \$ Per Month (Average) |
| 6/1/2017 | 3.50% | \$119 | 3.40% | \$190 | n/a | n/a | 3.30% | \$304 |
| 6/1/2018 | 3.50% | \$93 | 3.50% | \$184 | 0.00% | \$0 | 14.70% | \$1,369 |
| 6/1/2019 | 3.40% | \$91 | 3.00% | \$163 | 3.40% | \$275 | 3.00% | \$319 |
| 6/1/2020 | 3.50% | \$100 | 3.50% | \$201 | 3.50% | \$293 | 3.50% | \$380 |
| 6/1/2021 | 3.85% | \$126 | 3.85% | \$234 | 3.85% | \$334 | 3.85% | \$437 |

- (1) Increased overall rates by an average of 3.5% except for newly introduced new fee plans in June 2017. The new fee plan for new residents to the Community for the independent living units includes adjusted entrance fees and monthly fees based on the view, location and type of unit.
- (2) Effective June 1, 2018 – Increased overall rates in Independent Living and Assisted Living by an average of 3.5%. Skilled Nursing Room rates increased by 14.7%. Memory Support was not increased as it had not reached stabilized census.

Entrance Fee Refund. The Resident, the Resident’s estate or a revocable trust may be entitled to a refund of a portion of the Entrance Fee paid, when the Resident moves out of the community, as described in the Residence and Services Agreement (Appendix A of this disclosure statement). Any refund provided is conditioned on all of the Resident’s obligations in the Residences and Services Agreement having been met by the Resident, the Resident’s Power of Attorney or the Resident’s estate. The cost to repair damages to the Living Accommodation and storage areas in excess of normal wear and tear will be deducted from the applicable refund. Any refund due to the Resident will be made, within thirty (30) days of the date the Resident’s Living Accommodation shall have been reserved by a prospective Resident and such prospective Resident shall have paid their full Entrance Fee.

Standard Entrance Fee Refund. This Entrance Fee refund, if applicable, shall be equal to the Entrance Fee less a non-refundable fee of four percent (4%) of the Entrance Fee; the remaining balance is subject to amortization of two percent (2%) for each month of occupancy, as defined herein, for up to forty-eight (48) months. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. No refund of the Entrance Fee shall be paid after forty-eight (48) months of occupancy.

50% Entrance Fee Refund. This Entrance Fee refund, if applicable, shall be equal to the Entrance Fee less a non-refundable fee of four percent (4%) of the Entrance Fee; the remaining balance is subject to amortization of two percent (2%) for each month of occupancy, as defined herein, for up to twenty-three (23) months. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this

calculation. The refunded Entrance Fees will never be less than 50% of the original Entrance Fee, except for accrued expenses that are deducted.

90% Entrance Fee Refund. This Entrance Fee refund, if applicable, shall be equal to the Entrance Fee less a non-refundable fee of four percent (4%) of the Entrance Fee; the remaining balance is subject to amortization of one percent (1%) for each month of occupancy, as defined herein, for up to six (6) months. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. The refunded Entrance Fees will never be less than 90% of the original Entrance Fee, except for accrued expenses that are deducted.

In the event of termination of the Residence and Services Agreement after occupancy, Salemtowne will offset against any Entrance Fee refund due the Resident for the following:

1. The amount of any Monthly/Daily Fees or other amounts payable to us, which remain outstanding, and
2. Any costs incurred to restore the Living Accommodation to good condition, normal wear and tear excepted.
3. Costs of storage or disposal of any personal belongings left in the Living Accommodation.

Entrance Fees are not subject to refund at the time of transfer to the Assisted Living Center or the Health Care Center. Entrance Fees are not subject to refund if there is dual occupancy and one resident dies or moves out of the community.

Entrance Fees are subject to refund except as noted above only in the following situations:

- Termination prior to occupancy
- Voluntary termination
- Termination upon death
- Termination by the Corporation

Health Insurance. Residents will maintain eligible Medicare coverage and one supplemental health insurance policy or equivalent insurance coverage, which adequately covers hospital, medical, prescription, and skilled nursing deductibles and co-payments required of the primary insurance plan. Both the primary and supplemental health insurance policies must recognize Salemtowne as a health care provider or Residents will assume the financial responsibility for services provided that otherwise could be covered.

Residents will be responsible for ensuring that the health insurance coverage does not lapse and will provide Salemtowne with evidence of such coverage upon request. If health insurance coverage should lapse, Salemtowne may require that Residents reapply for suitable coverage. If Residents are unable to obtain adequate new coverage, Salemtowne will charge Residents for any costs of medical and other health care services provided, that otherwise would have been covered by an approved policy.

Salemtowne reserves the right, in its sole discretion, to eliminate or change its participation with any and all insurance plans.

FINANCIAL ASSISTANCE

Subsidy. The Corporation declares its policy that the Residence and Services Agreement will not be terminated solely because of a Resident's financial inability to continue to pay the Monthly/Daily Fees or other charges payable to Salemtowne by reason of circumstances beyond the Resident's control, provided, however, this declaration shall not be construed as qualifying the right of the Corporation to terminate the Residence and Services Agreement in accordance with the terms thereof.

In the event that a Resident presents facts which in the opinion of the Corporation justify special financial consideration, the Corporation will give careful consideration to subsidizing in whole or in part the Monthly/Daily Fees and other Salemtowne fees payable by the Resident so long as such subsidy can be made without impairing the ability of the Corporation to attain its objectives while operating on a sound financial basis.

In the event that the Corporation may subsidize in whole or in part the Monthly/Daily Fees and other fees payable by the Resident, the Resident will be required to execute a Financial Assistance Agreement with the Corporation.

In the event that Salemtowne continues to provide the services to a Resident under the terms of the Residence and Services Agreement despite their financial inability to continue to pay the Monthly/Daily Fee or other Salemtowne fees payable under the terms of the Residence and Services Agreement, Salemtowne shall be entitled to require the Resident to move to a smaller or less costly Living Accommodation.

Any determination by the Corporation with regard to the granting of financial assistance shall be within the sole discretion of the Corporation.

Financial Assistance Funds. The Corporation has established funds, which will be used to assist Residents who would otherwise not be able to live at Salemtowne.

III. Entry/Admission

Applicants will qualify for entry to Salemtowne upon satisfaction of the following provisions:

Age. The entry requirements for residence at Salemtowne are nondiscriminatory except as to age, and Salemtowne is open to both married and single men and women of all races and religions. Entry to independent living is restricted to persons 62 years of age or older, except in the case of double occupancy, at least one of the persons must be 62 years of age or older. Entry in the Assisted Living Center and the Skilled Nursing Center and the Memory Support Center within the Health Care Center is restricted to persons 62 years of age or older except for residents who enter into the Skilled Nursing Center for short-term rehabilitation which is restricted to persons 55 years or older.

Personal Interview. Applicants will have an interview with a representative from Salemtowne prior to taking residency at Salemtowne. Upon review of all information required to be furnished, additional interviews may be requested by the Corporation.

Application, Health History and Financial Statement. Applicants shall submit for review, by the Admissions Committee appointed by the Corporation, an Application for Entry, a personal health history, and a Confidential Financial Statement, all on forms furnished by the Corporation.

Notification. Salemtowne will review the submitted application materials as well as the results of the interviews and nursing assessments and will notify applicants whether they meet the entry requirements.

Health Requirements. Prior to entry, applicants shall submit a report of a physical examination made by a physician of their choice. Such report shall include a statement by such physician that the applicant is able to perform normal living activities. Salemtowne may require applicants to have another physical examination by our Medical Director or by another physician approved by the Corporation. Applicants shall be responsible for the costs of such physical examinations. If an applicant's health as disclosed by such physical examination differs materially from that disclosed in the application materials, the Corporation shall have the right to decline entry and/or to terminate the Residence and Services Agreement, or in the discretion of the Corporation, to permit the applicant to take occupancy of accommodations at Salemtowne suitable to their needs.

Financial Requirements. Applicants must have assets and income which will be sufficient under foreseeable circumstances to pay the financial obligations under the Residence and Services Agreement and to meet their ordinary living expenses. Salemtowne may require current financial information at any time prior to and subsequent to occupancy.

Financial Resources. You, your current and future responsible parties (i.e. power(s) of attorney, executor(s)) will abide by any and all financial arrangements made with the Corporation for the purpose of securing your ability to pay any and all charges for residing at Salemtowne. 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 Salemtowne to terminate this Agreement, and you or your responsible parties, as applicable, will be liable for any unpaid amounts.

Temporary Entry. Temporary entry to the Skilled Nursing Center is available through the Medicare program (for up to one hundred (100) days) or through private pay sources (for up to thirty (30) days). Temporary entry to the Assisted Living Center is available for up to thirty (30) days. Per diem fees apply. There is no Entrance Fee for any type of temporary entry.

A Resident admitted under a temporary entry is not eligible for permanent entry to the Skilled Nursing Center and the Memory Support Center within the Health Care Center, the Assisted Living Center or the independent living areas at Salemtowne except through the Salemtowne application process of making separate application, approval of the application and execution of a separate Residence and Services Agreement.

TERMINATION

Termination Prior to Occupancy. The Residence and Services Agreement may be terminated by you at any time prior to taking occupancy at Salemtowne for any reason by giving written notice to the Corporation. The Agreement will automatically be canceled due to death or physical or mental conditions that would make you ineligible for entry to Salemtowne.

The Agreement may be terminated by the Corporation at any time prior to the date that you take occupancy if the Corporation determines that you do not meet the physical, mental or financial requirements for entry.

In the event of such termination (including death, illness, injury, or incapacity), you shall receive a refund of the Entrance Fee paid, less a non-refundable fee equal to 4% of the total amount of the Entrance Fee, and less amounts paid or due to be paid for non-standard features added to the Living Accommodation. Any such refund shall be paid by the Corporation within sixty (60) days following termination pursuant to this paragraph.

Voluntary Termination. At any time, a Resident may terminate the Residence and Services Agreement by giving the Corporation adequate notice:

- fourteen (14) days prior written notice of such termination for independent Living Accommodations,
- fourteen (14) days prior written notice of such termination for Assisted Living Center accommodations, **or**
- five (5) days prior written notice of such termination for Health Care Center accommodations.

If a Resident does not provide adequate notice, or if no written notice is given, the Resident will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full notice period.

A Resident may be deemed to have abandoned the Living Accommodation and terminated the Residence and Services Agreement if they do not occupy a residence at Salemtowne for a period of one continuous year. Occupancy is defined as the last day that a Resident either resides in the Living Accommodation or the last day that the Resident's furnishings or belonging occupy the Living Accommodation or a storage area at Salemtowne.

If such termination shall occur within forty-eight (48) months after the date of occupancy, the Resident will receive a partial refund of the Entrance Fee paid in accordance with the Residence and Services Agreement's Refund section for Voluntary Terminations.

Temporary Absence. Temporary absences because of illness, trips or other will not affect a Resident's rights to retain occupancy of the Living Accommodation, as long as applicable Monthly/Daily Fees are paid.

Termination Upon Death. In the event of a Resident's death and such Resident is not survived by a spouse residing at Salemtowne who has signed the Residence and Services Agreement, the Agreement shall terminate and, subject to the their continuing obligations, described in the Residence and Services Agreement, the portion, if any, of the Entrance Fee to be refunded shall be determined in the same manner as a Voluntary Termination paid to the estate of the deceased Resident.

In the event of a Resident's death and such Resident is survived by a spouse residing at Salemtowne who has signed the Residence and Services Agreement, the Agreement shall not terminate and no refund will be payable.

In the event a refund becomes due, the date that the deceased Resident's responsible party/estate executor removes all personal belongings from the Living Accommodation shall determine the termination date. Any refund due the Resident's estate under this paragraph will be made at such time as such Resident's Living Accommodation shall have been reserved by a prospective Resident and such prospective Resident shall have paid to the Corporation such prospective Resident's full Entrance Fee; provided, however, that the Resident' estate shall continue to be obligated to pay the applicable Monthly/Daily Fee for such Resident's Living Accommodation until such Resident's Living Accommodation is vacated and left in good condition except for normal wear and tear.

Termination by the Corporation. Salemtowne may terminate the Resident and Services Agreement at any time if there has been a material misrepresentation or omission made by a Resident during the application process; if the Resident fails to make payment to the Corporation of any fees or charges due the Corporation within thirty (30) days after receiving written notice of their failure to pay such fees or charges; if Residents do not abide by the rules and regulations adopted by the Corporation or breach any of the terms and conditions of the Agreement; if the health or safety of other individuals in the Corporation is endangered if a Resident remains in Salemtowne, as determined by a physician, physician assistant or nurse practitioner; or the discharge is necessary for a Resident's welfare and the Resident's needs cannot be met by the Corporation as documented by the Resident's physician, physician assistant or nurse practitioner.

Residents will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full notice period and for each day of occupancy. Any refund of the Entrance Fee due to the Resident following voluntary termination of the Agreement by the Corporation will be made in accordance with refund policies. Except in cases of emergency, Residents will receive a notice of the termination by the Corporation at least thirty (30) days prior to the effective date of termination. Residents may be entitled to appeal the Corporation's decision to terminate this Agreement and, except in cases of emergency, the Corporation will not discharge a Resident before the final decision resulting from the appeal has been rendered.

Condition of Living Accommodation. At the effective date of termination of the Residence and Services Agreement, Residents will vacate the Living Accommodation, including any storage areas at Salemtowne, and will leave both in good condition except for normal wear and tear. Residents, or their estates, will be liable to the Corporation for any costs incurred in restoring the Living Accommodation and storage areas to good condition except for normal wear and tear.

Removal of Personal Property. In the event of termination of the Agreement, Residents agree to surrender the Living Accommodation and any storage areas, which were occupied, within thirty (30) days of the determination.

The Corporation reserves the right to remove a Resident's belongings from the Living Accommodation and any storage areas. Residents will pay a Monthly/Daily storage fee equal to 50% of the Monthly/Daily Fee for the previously occupied Living Accommodation or the actual cost of external storage, whichever is applicable. Property will not be stored for longer than 30 days. Unclaimed property will become the property of Salemtowne after 30 days and will be disposed of at the sole discretion of the Corporation.

In the event of a Resident's death, while they are a resident of Salemtowne under the Agreement, only the executor(s) named in their Will will be allowed to remove or dispose of furnishings and belongings in the Living Accommodation and any related storage areas at Salemtowne. Members of the family or those to whom a Resident has granted Power of Attorney will not be allowed access to personal property after a Resident's death, unless they are the executor(s) named in the Resident's Will.

Release from Termination. Upon termination of the Residence and Services Agreement, Salemtowne is released from any further obligations to Residents except for the payment of any refund which may be due under the Residence and Services Agreement.

Right of Rescission

Notwithstanding anything herein to the contrary, the Residence and Services Agreement may be rescinded by giving written notice of such rescission to the Corporation within thirty (30) days following the later of the execution of the Residence and Services 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, Residents will receive a refund of the Entrance Fee paid, less a non-refundable fee equal to 4% of the total amount of the Entrance Fee, less any Monthly/Daily Fees or portion thereof applicable to any period a Living Accommodation or storage area was actually occupied by the Resident or their belongings less any unpaid non-standard costs and accrued expenses. In the event of such rescission, Residents shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. Residents will not be required to move into Salemtowne 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.

TRANSFER/MOVES

Transfer to Another Living Accommodation. Residents may move to a different Living Accommodation at Salemtowne which becomes available upon payment of such fees, consent by the Corporation and compliance with such guidelines regarding transfers as may be adopted by the Corporation. Fees and guidelines may be changed from time to time by the Corporation.

If a Resident transfers to another Living Accommodation, he or she is responsible for paying any difference in the Entrance Fee, if the amount of the Entrance Fee of the new Living Accommodation is greater than the Entrance Fee for the previous Living Accommodation to be vacated. If the Entrance Fee for the new Living Accommodation is less than the Entrance Fee for the previous Living Accommodation to be vacated, no refund will be paid for the difference. Residents who transfer to another Living Accommodation will be responsible for any transfer fees that may be set by the Corporation and the Monthly/Daily fees in effect at the time for the new Living Accommodation.

Moving Costs. Residents are responsible for arranging and paying for all packing and moving costs for moves into, within, and out of Salemtowne. Assistance may be provided by Salemtowne at an additional cost.

Transfer to Health Care Center or the Assisted Living Center. Residents agree that the Corporation shall have authority to determine that the Resident should be transferred from their Living Accommodation to the Skilled Nursing Center and the Memory Support Center within the Health Care Center or the Assisted Living Center or a separate area within either center. Such determinations shall be made solely by Salemtowne and based on the professional opinion of the Resident's physician and the Resident Review Committee. This determination, when possible, shall be made after consultation with the Resident, the Resident's physician, a representative of the Resident's family, or the Resident's responsible party. Residents agree to surrender storage areas when a permanent transfer is made to the Skilled Nursing Center and the Memory Support Center within the Health Care Center or to the Assisted Living Center.

In the event that a Resident is permanently transferred to the Assisted Living Center or the Health Care Center, the Entrance Fee will not be subject to refund.

Transfer to Hospital or Other Facility. If it is determined by a Resident's physician that a resident needs care beyond that which can be provided by Salemtowne, the Resident may be transferred to a hospital, center or institution equipped to give such care, which care will be at the Resident's expense. Such transfer will be made only after consultation to the extent practical with the Resident, the Resident's physician, a representative of the Resident's family or the Resident's responsible party.

Surrender of Living Accommodation. If a determination is made by the Corporation that a transfer is permanent in nature, the Resident agrees to surrender the Living Accommodation and any storage areas, which were occupied prior to such transfer, within 30 days of the determination.

Residents are responsible for the costs of transfer and moving as well as the Monthly/Daily Fee through the last day of occupancy of the Living Accommodation being vacated. Occupancy is defined as the last day that a Resident either resides in the Living Accommodation or the last day that the Resident's furnishings or belongings occupy the Living Accommodation or a storage area at Salemtowne.

If the Corporation subsequently determines, based upon the opinion of a Resident's physician, that a Resident can resume occupancy in accommodations comparable to those occupied prior to such transfer, the Resident shall have priority to such accommodations as soon as they become available. The Resident will be responsible for applicable fees as determined by the Corporation.

DUAL OCCUPANCY

Occupancy by Two Residents. In the event that two Residents (married or unmarried) occupy a Living Accommodation under the terms of the Residence and Services Agreement, upon the permanent transfer to the Health Care Center or the Assisted Living Center or the death of one of such Residents, or in the event of the termination of the Residence and Services Agreement with respect to one of such Residents, the Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Living Accommodation or to move to a smaller Living Accommodation, in which event there will be no refund of the Entrance Fee. The remaining or surviving Resident will thereafter pay the Monthly/Daily Fee for one Resident associated with the Living Accommodation occupied by the Resident.

Sharing Occupancy After Admission/Entry. If a Resident, while occupying a Living Accommodation, marries a person who is also a Resident, or wishes to share a Living Accommodation with a person who is also a Resident, the two Residents may, with the prior written consent of the Corporation, occupy the Living Accommodation of either Resident and shall surrender the Living Accommodation not to be occupied by them. No refund will be payable with respect to the Living Accommodation surrendered. Such Residents will pay the Monthly/Daily Fee for double occupancy associated with the Living Accommodation occupied by them.

In the event that a Resident shall marry a person who is not a Resident of Salemtowne, or wishes to share a Living Accommodation with a person who is not a resident (“Non-Resident”), the Non-Resident may become a Resident if such individual meets all of the then current requirements for entry to Salemtowne, enters into a then current version of the Residence and Services Agreement with the Corporation and pays an Entrance Fee in an amount determined by the Corporation in its sole discretion. The existing Resident and new Resident shall pay the Monthly/Daily Fees for double occupancy associated with the Living Accommodation occupied by them.

If the Non-Resident shall not meet the requirements of Salemtowne for entry as a Resident, the existing Resident may terminate the Residence and Services Agreement in the same manner as provided in the Residence and Services Agreement with respect to a voluntary termination.

OTHER

Combination of Living Accommodations. Various circumstances may make it desirable that a Living Accommodation occupied by a Resident be combined with an adjoining Living Accommodation to form one combined Living Accommodation. Residents agree that if a determination is made by the Corporation that it is desirable to combine their Living Accommodation with a Living Accommodation, which adjoins their Living Accommodation, the Resident will surrender occupancy of their Living Accommodation, within a reasonable time after receiving notice of such determination.

In the event that the Corporation makes such determination and notifies the Resident of such, the Resident has the option to (a) transfer into the combined Living Accommodation when such combined Living Accommodation is ready for occupancy, or (b) transfer to another Living Accommodation, when available, of the same type as the Living Accommodation previously occupied.

If a Resident elects to occupy the combined Living Accommodation and the Entrance Fee established for such combined Living Accommodation exceeds the Entrance Fee paid for the previous Living Accommodation, the Resident shall pay the amount of such excess upon taking occupancy. The Resident will pay the monthly/daily fees associated with the combined Living Accommodation as established by the Corporation.

If a Resident elects to transfer to a Living Accommodation of the same type as the Living Accommodation previously occupied, the Corporation will repaint and re-carpet, if needed, such Living Accommodation at its expense prior to occupancy.

Living Accommodations. Residents do not acquire ownership in any property at Salemtowne under the Residence and Services Agreement.

Guests. Guests are welcome at Salemtowne. Guests may use Salemtowne guest accommodations, subject to availability and additional fees. Guests may also stay in a Resident's Independent Living Accommodation for visits of limited duration. At all times, the Resident shall be responsible for any injury to others or damage to the property of others or of Salemtowne caused by a Resident's guest(s). Salemtowne reserves the right and authority to limit or terminate the stay of any guest at any time and for any reason. Except for short-term guests (less than two weeks), no person other than a Resident may reside in the Living Accommodation without the written approval of Salemtowne Management.

Pets. Residents may bring pets to Salemtowne if they complete necessary paperwork, pay the current pet deposit, and follow current policies and guidelines. "Pets" shall be defined as household dogs, cats, tropical fish, or caged birds. Pets must be approved by Salemtowne prior to bringing the pet on campus.. Pets are not allowed in Assisted Living or Health Care Center accommodations. Salemtowne reserves the right to amend or terminate policies and guidelines related to pets, in its discretion.

Smoking, Vaping & Tobacco. Smoking, Vaping & use of Tobacco products are not allowed in buildings, on the grounds or common areas within the Salemtowne community as prescribed in community policies and guidelines. Smoking is not allowed in Assisted Living Center and Health Care Center Living Accommodations. Salemtowne reserves the right to amend or terminate policies and guidelines related to smoking in its discretion.

IV. Financial Information

Financial Overview & Statements

An overview of the financial results of Salemtowne's operations is contained at the end of this section:

- the audited financial statements for the most recent fiscal year (as of March 31, 2021)
- summary of calculation of obligation to provide future services (CCRC) as of March 31, 2021
- Financial Projections for the five (5) years following the date of the audited financial statements (for the fiscal years ended March 31, 2022-2026) accompanied by an Independent Accountants' Compilation Report

Reserves and Trusts.

Salemtowne continues to develop funds that are to be used for advancing the mission of the organization, the largest portion is for assistance to residents who are approved for financial assistance. As of March 31, 2021, the principal of these funds was approximately \$11,842,177 consisting of both donor and board designated amounts. The income from these funds constitutes several sources of Salemtowne's financial assistance. Other sources of assistance income include annual Salemtowne Offering on Mother's Day solicitations and Giving Tree solicitations at Christmas, as well as ongoing memorial gifts; local church support; and corporate and foundation grants. Salemtowne does not guarantee that the principal of board designated funds will remain committed solely for financial assistance.

Salemtowne has restricted \$6,763,000 ⁽¹⁾ as the operating reserve fund required by N.C. General Statute 58-64-33 and expects to continue to meet the requirement into the future.

Salemtowne will meet its operating reserve requirements separate and apart from using donor restricted funds. Income from the Financial Assistance Endowment and annual contributions for financial assistance are used to provide charitable assistance to persons who otherwise would not be able to afford residency at Salemtowne.

Investment of funds is currently in interest-bearing checking accounts and professionally managed mutual funds, money market accounts, stocks and bonds. Future investment strategies will, of course, depend upon future market conditions and demands for funds.

Overall policies and decisions relative to reserve funds and investments are under the direction of the Finance Committee of the Board of Trustees.

Trusts. Salemtowne is the beneficiary of several trusts and other split-interest agreements. Upon receipt of a beneficial interest in a trust or other split-interest agreement, the present value of the interest is included in "contributions" on the "Statements of Operations" and "Statements of Changes in Net Assets," and is carried at the asset's present value on the "Balance Sheet." The value of these assets totaled \$899,393 at fiscal year ended March 31, 2020. At this time, all trusts and split-interest agreements are administered by third

parties. Additional information related to reserves and trusts is presented in the notes to the audited financial statements included herein.

Explanations of Material Differences. Following is an explanation of the material differences between (i) the forecasted financial statements of projected revenue and expenses and cash flows of Salemtowne for 2021 contained as a part of the Disclosure Statement dated as of August 28, 2020 filed with the North Carolina Department of Insurance and (ii) the actual results of operations for fiscal 2021 as shown in the audited financial statements of Salemtowne contained at the end of this section.

Material differences are defined as 5% or greater of the forecasted amount, but not less than \$30,000. Set forth below is a comparison of such information.

Note: At fiscal year ended March 31, 2021, Navigation at Home had enrolled 84 members.

Note: Due to rounding to “thousands”, there may be slight differences in the statements below and the actual statements issued.

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| | Forecast | Audit | Material | | Notes |
|---|------------|------------|-------------|--------|---------|
| | (000s) | (000s) | Differences | | |
| | 2021 | 2021 | \$ | % | |
| Assets | | | | | |
| Current Assets | | | | | |
| Cash | \$ 1,063 | \$ 2,488 | \$ 1,425 | 57% | (1) |
| Current portion of assets limited as to use | 2,299 | 3,561 | 1,262 | 35% | (2) |
| Accounts receivable, net of allowance | 2,198 | 1,014 | (1,184) | -117% | (3) |
| Prepaid and other current assets | 425 | 354 | (71) | -20% | (4) |
| Other receivables | 283 | 300 | 17 | 6% | |
| Total current assets | 6,268 | 7,717 | 1,449 | 19% | |
| Assets limited as to use, net of current portion | 6,096 | 5,857 | (239) | -4% | |
| Restricted statutory operating reserve | 6,402 | 6,402 | - | 0% | |
| Total assets limited to use, net of current portion | 12,498 | 12,259 | (239) | -2% | |
| Property & equipment, net | 101,615 | 101,114 | (501) | 0% | |
| Investments | 14,088 | \$ 12,687 | (1,401) | -11% | (1) |
| Incremental Cost of acquiring contracts, net | - | 393 | 393 | 100% | (16) |
| Development Costs - Navigation | 130 | \$ 130 | - | 0% | |
| Assets in split interest agreements | 484 | \$ 899 | 415 | 46% | (5) |
| Total other assets | 614 | 1,422 | 808 | 57% | |
| Total assets | \$ 135,083 | \$ 135,199 | 116 | 0% | |
| Liabilities & Net Assets | | | | | |
| Current Liabilities | | | | | |
| Accounts payable | 1,063 | \$ 1,243 | 180 | 14% | (6) |
| Accrued expenses | 1,417 | 1,708 | 291 | 17% | (7) |
| Accrued interest payable | 2,256 | 2,274 | 18 | 1% | |
| Refundable Advance Fees - Current | 302 | 12 | (290) | -2417% | (8) |
| Line of Credit | - | 182 | 182 | 100% | (9) |
| Payroll Protection Loan | - | 2,513 | 2,513 | 100% | (10) |
| Current portion of other debt | - | 41 | 41 | 100% | (11) |
| Current portion of bonds payable | 1,460 | 1,460 | - | 0% | |
| Total current liabilities | 6,498 | 9,433 | 2,935 | 31% | |
| Bonds payable, excluding current portion | 82,832 | 83,285 | 453 | 1% | |
| Other Debt, excluding current portion | - | 53 | 53 | 100% | (11) |
| Deposits | 240 | 430 | 190 | 44% | (12) |
| Refundable advance fees | 1,602 | 2,073 | 471 | 23% | (13) |
| Deferred revenue from advance fees | 36,268 | 30,718 | (5,550) | -18% | (13,14) |
| Total liabilities | 127,440 | 125,992 | (1,448) | -1% | |
| Net assets | | | | | |
| Unrestricted | 4,178 | 4,746 | 568 | 12% | (15) |
| With Donor Restrictions | 3,465 | 4,461 | 996 | 22% | (15) |
| Total net assets | 7,643 | 9,207 | 1,564 | 17% | |
| Total liabilities and net assets | \$ 135,083 | \$ 135,199 | 116 | 0% | |

- (1.) Cash and Investments offsets with each other and have variances due to the timing of transfers from cash to the investment accounts.
- (2.) Assets limited as to use higher than forecasted due to timing of payments to the Series 2016 Bonds trustee held Principal fund.
- (3.) Accounts receivable is lower than forecasted due to the reduction of A/R as a result of improved collection processes.
- (4.) Pre-paid expenses and other current assets lower than forecast due to the timing of payments related to adjustment of the policy period for General Insurance as well as the Premiums paid for Workers' Compensation Insurance.
- (5.) Assets in split-interest agreements are forecasted to align with prior year's activity, the variance represents split interest agreement gifts in the fiscal year.
- (6.) Accounts payable is higher than the forecast due to timing of the accounts payable cycle.
- (7.) Accrued Expenses are higher than the forecast related to the timing of the final payroll period in FY 2021.
- (8.) Refundable advance fees, current are lower than forecasted due to few refunds due.
- (9.) The Line of Credit was not forecasted and is used for short term cash flow management.
- (10.) The Payroll Protection Loan was forecasted to be forgiven in FY 2021. It was subsequently forgiven in FY 2022.
- (11.) Other Debt was forecast to be retired in the forecast in FY 2021. The debt remains to avoid a loss on extinguishment.
- (12.) Deposits are higher than forecasted due to the collection of 10% deposits and an entrance fee for a future move in to both expansion an existing Independent Living Units.
- (13.) Refundable Advance Fees are higher and Deferred Revenue is lower than projected due to the unamortized refundable portion of the standard entrance fee contracts for the expansion units. The refundable portion amortizes over 4 years.
- (14.) Deferred Revenue from Advance Fees is lower due to lower than expected turnover of existing IL due to COVID, as well as some advance fees forecasted to be collected in FY2021 were not collected until FY2022.
- (15.) See Notes on Operating Statement for Change in Unrestricted Net Assets. Changes in Restricted Net Assets are not forecasted and include both permanently and temporarily restricted gifts.
- (16.) In the Forecast, management assumed all future marketing costs would be expensed when incurred.

| | Forecast | Audit | Material | | Notes |
|--|-----------|-----------|-------------|---------|--------|
| | (000s) | (000s) | Differences | | |
| | 2021 | 2021 | \$ | % | |
| Revenues, gains, and other support: | | | | | |
| Net resident services | \$ 26,248 | \$ 24,202 | \$ (2,046) | -7.8% | (2) |
| Amortization of Advanced Fees | 3,917 | 3,758 | (159) | -4.1% | |
| Contributions | 248 | 123 | (125) | -50.4% | (3) |
| Net assets released from restrictions used for benevolent assistance | | 257 | 257 | | (3,4) |
| Realized Investment Income | 670 | 1,926 | 1,256 | 187.5% | (5) |
| Other income | 3,383 | 1,238 | (2,145) | -63.4% | (6) |
| Navigation by Salemtowne | | | | | |
| Net resident services | 406 | 432 | 26 | 6.4% | |
| Amortization of Advanced Fees | 96 | 163 | 67 | 69.8% | (7) |
| Total revenues, gains, and other support | 34,968 | 32,099 | (2,869) | -8.2% | (1) |
| Expenses: | | | | | |
| Program services - provision for housing and related services: | | | | | |
| Healthcare, assisted living, and clinic | 7,528 | 8,050 | 522 | 6.9% | (8,9) |
| Dining services | 3,593 | 3,866 | 273 | 7.6% | (8,10) |
| Housekeeping, grounds and maintenance | 4,315 | 4,133 | (182) | -4.2% | (8) |
| Life Enrichment | 598 | 732 | 134 | 22.4% | (8) |
| Navigation by Salemtowne | 181 | 707 | 526 | 290.6% | (8,11) |
| Depreciation and amortization | 5,600 | 5,853 | 253 | 4.5% | |
| Interest | 4,524 | 4,880 | 356 | 7.9% | (12) |
| Loss on sale of equipment | - | 1 | 1 | | |
| Administration and general | 7,812 | 4,987 | (2,825) | -36.2% | (8) |
| Development, community relations and admissions | 1,807 | 1,858 | 51 | 2.8% | |
| Total expenses | 35,958 | 35,067 | (891) | -2.5% | |
| Other changes in unrestricted net assets: | | | | | |
| Loss on impairment of property and equipment | - | - | - | | |
| Unrealized gains (losses) on investments | - | 2,521 | 2,521 | | (4,5) |
| Increase (decrease) in unrestricted net assets | \$ (990) | \$ (447) | \$ 2,521 | -254.6% | |
| Changes in net assets with donor restrictions: | | | | | |
| Contributions | - | 486 | 486 | | (3) |
| Investment Income | - | 352 | 352 | | (4,5) |
| Net Assets Released from Restrictions | - | (257) | (257) | | (3,4) |
| Change in value of split-interest agreements | - | 415 | 415 | | (3) |
| Increase (decrease) in restricted net assets | \$ - | \$ 996 | \$ 996 | | |
| Change in net assets | (990) | 549 | \$ 1,154 | -116.6% | |

- (1.) Total actual revenue, gains, and other support is explained in notes (2) through (9)
- (2.) Net Resident Services 7.8% below projection due to reduced census in Health Care Center due to COVID.
- (3.) Unrestricted contributions only were forecasted in FY2020 actual unrestricted contributions were less than forecasted. Temporary restricted donations released from restriction were not considered in the forecast and when net against Unrestricted contributions were \$132K (53.2%) favorable to the projection.
- (4.) Net assets released from restrictions & unrealized gains on investments are not forecasted according to professional standards.

- (5.) The net of realized and unrealized net gains (losses) on investments is 563% greater than projected due to the market recovery of losses in February & March 2020 as well as higher investment gains over the fiscal year.
- (6.) Other Income is lower than projected due to the Payroll Protection Loan not being forgiven in FY 2021. Note that the PPP Loan has been forgiven in FY 2022.
- (7.) Amortization of Navigation Advanced Fees is higher than projected due to unanticipated termination income as well as higher than forecasted new memberships early in the fiscal year.
- (8.) Multiple Departments are unfavorable to forecast due to Employee Benefit Costs being allocated to Administration & General in the forecast and split between the departments in the Audit. Administration & General is favorable to forecast for the same reason.
- (9.) Healthcare expenses are lower than expected (net of Employee Benefits) due to reduced staffing and variable costs due to the lower than forecasted census.
- (10.) Dining Services was higher than forecast due to increased staffing in the dining department to meet delivery needs of residents as well as increased Raw Food expense during COVID.
- (11.) Navigation was higher than forecast due to marketing related to branding change as well as higher than forecasted care costs to support members during COVID.
- (12.) Interest expense is higher than forecast due to a short term line of credit not included in the forecast.

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| | Forecast | Audit | Material | | Notes |
|---|-------------|-------------|-------------|--------|-------|
| | (000s) | (000s) | Differences | | |
| | 2020 | 2020 | \$ | % | |
| Operating activities | | | | | |
| Change in net assets | \$ (3,247) | \$ (4,674) | \$ (1,427) | 44% | |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | | | | |
| Depreciation and amortization | \$ 4,738 | \$ 4,734 | \$ (4) | 0% | |
| Amortization | \$ 82 | \$ 82 | \$ - | 0% | |
| Amortization of bond premium and discount | \$ (232) | \$ (68) | \$ 164 | -71% | (1) |
| Amortization of deferred entrance fees | \$ (2,699) | \$ (2,967) | \$ (268) | 10% | (2) |
| (Gain) Loss on disposal of equipment | | \$ 5 | \$ 5 | | |
| Realized gains on investments | | \$ (1,460) | \$ (1,460) | | (3) |
| Net unrealized (gains) losses on investments | | \$ 2,396 | \$ 2,396 | | (3) |
| Loss on impairment of property and equipment | | | \$ - | | |
| Net changes in: | | | | | |
| Accounts receivable | \$ 1,258 | \$ (673) | \$ (1,931) | -153% | (4) |
| Other receivable | \$ (56) | \$ (233) | \$ (177) | 316% | (5) |
| Prepaid expense and other current assets | \$ (333) | \$ (291) | \$ 42 | -13% | (6) |
| Accounts payable | \$ (1,995) | \$ (1,956) | \$ 39 | -2% | |
| Accrued expenses | \$ 157 | \$ 1,848 | \$ 1,691 | 1077% | (7) |
| Accrued Interest Payable | \$ 954 | \$ 1,015 | \$ 61 | 6% | (8) |
| Entrance Fees received | \$ 3,894 | \$ 3,153 | \$ (741) | -19% | (9) |
| Membership fees received – Navigation | \$ 1,108 | \$ 443 | \$ (665) | -60% | (10) |
| (Decrease) in resident deposits | \$ (132) | \$ 387 | \$ 519 | -393% | (11) |
| Assets in split-interest agreement | | \$ 62 | \$ 62 | | |
| Net cash provided by operating activities | \$ 3,497 | \$ 1,803 | \$ (1,694) | -48% | |
| Investing activities | | | | | |
| Purchases of property and equipment | \$ (28,176) | \$ (27,135) | \$ 1,041 | -4% | |
| Interest cost capitalized during project period | \$ (1,996) | | \$ 1,996 | -100% | (12) |
| (Increase) decrease in investments | \$ 5,255 | \$ 1,184 | \$ (4,071) | -77% | (13) |
| Net cash provided by (used in) investing activities | \$ (24,917) | \$ (25,951) | \$ (1,034) | 4% | |
| Financing activities | | | | | |
| Entrance Fees Received from Initial Entrance Fees | \$ 1,205 | \$ 2,357 | | | |
| Change in Refundable portoin of Entrance Fees | \$ (42) | \$ (58) | \$ (16) | 38% | (14) |
| Proceeds from (payments on) - Line of Credit | | \$ 1,000 | \$ 1,000 | | (15) |
| Proceeds from (payments on) - Other Debt | \$ (36) | \$ (36) | \$ - | 0% | |
| Proceeds from (payments on) - Bond Obligations | \$ (1,335) | \$ (1,335) | \$ - | 0% | |
| Net cash provided by (used in) financing activities | \$ (208) | \$ 1,928 | \$ 2,136 | -1027% | |
| Net increase in cash and cash equivalents | \$ (21,628) | \$ (22,220) | \$ (592) | 3% | |
| Cash and cash equivalents at beginning of year | \$ 22,641 | \$ 41,291 | \$ 18,650 | 82% | |
| Cash and cash equivalents at end of year | \$ 1,013 | \$ 19,071 | \$ 18,058 | 1783% | |

- (1.) Advance Fees Received were less than forecast due to reduced turnover in existing units due to COVID.
- (2.) Realized & Unrealized gains on investments were not considered in forecast. See Balance Sheet note (1) regarding the net change in Investments.

- (3.) Loss on extinguishment of debt relates to the write off of the Issuance Costs on the Series 2018 B1&B2 bonds which were redeemed prior to their published maturity.
- (4.) For Change in Balance Sheet accounts refer to comments under the Balance Sheet section.
- (5.) Commissions paid for contracts obtained was not considered in forecast and reflects capitalization of commissions for new contracts recognized under GAAP revenue recognition rules.
- (6.) Purchases in property and equipment differs from forecast reflecting the timing of placing Construction in Progress of the expansion project in service.
- (7.) Proceeds on Line of Credit - See note (9) on Balance Sheet.
- (8.) Proceeds from Payroll Protection Program Loan – See note (10) on Balance Sheet.
- (9.) Principal Payments on Other Debt – See note (11) on Balance Sheet.
- (10.) Change in Advance Fees & Refundable Portion of Advance fees – See notes (13,14) on Balance Sheet.

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Estimated Number of Residents

There were 423 residents living at Salemtowne as of March 31, 2021.

Other Material Information, As Applicable

Salemtowne is not the subject of any bankruptcy filing, receivership, liquidation or the like. Salemtowne is not involved in any legal proceeding.

Tax Consequences

NO INFORMATION IS PROVIDED HEREIN WITH RESPECT TO THE TAX CONSEQUENCES OF ENTERING INTO A RESIDENCE AND SERVICES AGREEMENT UNDER APPLICABLE FEDERAL, STATE OR LOCAL LAWS. THE DECISION BY A RESIDENT TO ENTER INTO A RESIDENCE AND SERVICES AGREEMENT MAY HAVE MATERIAL TAX CONSEQUENCES TO THE RESIDENT. EACH RESIDENT IS URGED TO CONSULT HIS OR HER OWN TAX ADVISOR WITH RESPECT TO ANY TAX CONSEQUENCES OF ENTERING INTO A RESIDENCE AND SERVICES AGREEMENT.

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Navigation at Home

(Continuing Care at Home Program)

BACKGROUND

Moravian Home, Incorporated d/b/a/ Salemtowne (“Salemtowne” or “Corporation”) is a private, continuing care retirement community that has received licensure from the North Carolina Department of Insurance to operate a continuing care services program without lodging pursuant to Chapter 64 Article 58 Paragraph 7.

This continuing care program is marketed and referred to as “Navigation at Home” (or “Program”). The Program is being marketed in Forsyth County, where the Salemtowne continuing care retirement community is located, and in the following counties surrounding Forsyth County: Davie, Davidson, Stokes, Iredell, Wilkes, Guilford, Rowan, Surry and Yadkin.

Mission Statement

Navigation at Home’s mission is to provide coordination of care for older adults who wish to remain in their own homes in their later years. Salemtowne’s goal is to combine the security of a continuing care retirement community with the freedom and autonomy of living at home. We strive to support older adults to stay healthy and independent throughout their years through education, physical activities and socialization, and the coordination of care when necessary.

Navigation at Home is operated by Salemtowne, a North Carolina non-profit corporation, and is governed by the Corporation’s Board of Trustees and managed by the management and staff of the Corporation.

PROGRAM DESCRIPTION

Navigation at Home is a membership-based program providing care coordination and access to a range of services, programs and support, such as home care, assisted living, or nursing care to members in their own home or supportive facilities as needs change.

There is a choice of 5 membership plan options for a one-time membership fee, and an on-going monthly fee for services, which includes care coordination, health and wellness programs, social and educational programs, and a referral service. There is also a fee-for-service option.

ELIGIBILITY

The Program is non-discriminatory and is open to individuals of all races, religions, creed, color, sex or national origin. A prospective member must be at least 62 years of age and live within the designated service area of Forsyth, Davie, Davidson, Stokes, Iredell, Wilkes, Guilford, Rowan, Surry and Yadkin counties, complete a Membership Application, Financial Application, Medical Application, and pass a health assessment by the Program’s Care Coordination Team. A home assessment may be required prior to approval. If the home environment is considered to be unsafe, the prospective member will be required to make the recommended changes prior to approval for membership.

Medical insurance through federal, state, or private plans for medical and/or surgical and hospitalization must be maintained by each member at member’s expense.

Should the member desire to become a resident of the Salemtowne continuing care retirement community, the member will be subject to the entry requirements of the retirement community and applicable payment of fees. Subject to the terms of the Member Services Agreement, Member has

the option to remain a member of the Program and continue to pay the Monthly Fee or apply a portion of the Membership Fee to their Independent Living Entrance Fee and terminate the Member Services Agreement.

SERVICES

The Program provides members the following services to the extent provided for in the Program plan selected by the member and subject to the fees, cost and expenses and other terms and conditions set forth in the Member Services Agreement.

Care Coordination: Members are assigned a personal Wellness Navigator who works in conjunction with the Care Coordination Team to coordinate covered services and support the member in order to enable the member to remain in his or her home for as long as safely possible. The Wellness Navigator will prepare an individual care plan, updated at least annually, and check in with the member regularly.

Home Inspection: During the first year of membership and every other year thereafter, unless circumstances of a member's health condition justify more frequent inspections, Navigation at Home will provide a functional inspection of the member's home for the purpose of ascertaining any functional and safety problems. Any recommended changes or corrections are the Member's sole responsibility.

Home Site Services: Home site services include home health care services, homemaker services, companion services, emergency response system, and temporary meals will be provided as deemed appropriate by the Care Coordination team. A member must exhibit at least one or more deficiencies in an activity of daily living (ADL) to be eligible for services. Activities of daily living include bathing, dressing, eating, transferring, walking/mobility, grooming and continence.

Meals: A maximum of two (2) meals per day for a maximum of one (1) week will be provided when due to a medical need as determined to be appropriate by the Care Coordination team.

Emergency Response System: An emergency response system with 24-hour coverage and monitored by a contracted provider will be provided when requested by the member.

Facility-Based Services: When determined to be appropriate by the Care Coordination team and prescribed by a physician, Navigation at Home will arrange for facility-based assisted living in a semi-private room or skilled nursing care in a semi-private room at Salemtowne retirement community or other Program participating facility in accordance with the plan selected by the member.

Adult Day Care: Adult day care services will be provided at a Program approved provider when determined to be appropriate by the Care Coordination team and to the extent provided for in the plan selected by the member.

Transportation: If a member is unable to drive, or instructed by his/her physician not to drive to and from medically necessary outpatient procedures, Navigation at Home will provide transportation. This does not include transportation via ambulance or for regular physician office visits, dialysis, and routine specialist appointments.

Common Facilities: Members have access to all common facilities that are available for the use and benefit of residents of Salemtowne retirement community where there is capacity and such use shall be subject to change or restriction from time to time at the sole discretion of Salemtowne. These may include a central dining room, library and computer center, heated swimming pool, chapel, multi-purpose auditorium, lounges, arts and crafts room, and others as described in the current literature. Members will be responsible for dining and applicable activity charges.

Lifestyle and Wellness Programs: Lifestyle and wellness programs will be offered from time to time, free of charge or with an applicable fee, including but not limited to, exercise classes, wellness seminars, speakers and day excursions.

Activities and Leisure Events: Planned and scheduled social, recreational, spiritual, educational, cultural, leisure, arts and crafts, and other special activities and programs designed to meet the needs of the Members will be offered from time to time, free of charge or with an applicable fee.

Referral Service: A referral service for non-covered services, such as landscape maintenance, legal, financial planning, home maintenance and rental of medical equipment is available. Arrangement of and payment for services provided by referred vendors to members are between the vendor and the member.

Other Services and Programs for Additional Charge: Other services and programs will be available to members at member's expense. A list of services and charges currently available is included in the Member Services Agreement.

SERVICE PROVIDERS

Navigation at Home utilizes industry professionals and service providers to provide services such as home care services, homemaker and companion services, and transportation for its members.

LIMITATION OF PROGRAM PAYMENT

Non-Institutional Health Care Services: The Program may limit payment for home health care, homemaker services, companion services, emergency response system, meals and adult day care if the cost of such services for any day exceeds the then current private pay daily rate for a long-term care private room in the health care facility at Salemtowne retirement community.

Care in Other Assisted Living or Nursing Care Facilities: If a member chooses care in an assisted living or nursing home facility other than Salemtowne retirement community or a Program participating facility, the member will continue to pay the Monthly Fee for the Program and the Program will pay for charges incurred at the facility for the level of service as defined in the Member Services Agreement. If the cost of such services for any day exceeds the then current private pay daily rate for a private room in the nursing home facility at Salemtowne retirement community the member will be responsible for paying the difference between the cost of services at the facility and the then current private pay daily rate for a private room in the nursing home facility in Salemtowne retirement community, or transfer to Salemtowne retirement community or other Program participating facility.

CHANGES IN LEVEL OF CARE

Assisted Living or Nursing Home: A member may be transferred to a Program participating assisted living or nursing home facility temporarily or permanently if it is determined by the Care Coordination team based on a physical and mental assessment that the member is no longer mentally and/or physically able to function safely in his or her home, and shall be made only after consultation to the extent practical with the member or member's representative, and the member's attending physician.

Hospital, Center or Institution: A member diagnosed to be psychotic or mentally ill, or as having a highly contagious or dangerous disease may be transferred to a hospital, center, or institution equipped to give such care, which care will be at the expense of the member and will be made only after consultation to the extent possible with the member or member's representative, and the member's attending physician.

MEMBERSHIP PLANS AND FEES

Navigation at Home offers four plan options: All Inclusive plan, Security plan, Co-pay plan and Beacon (Home Site Services) plan.

Members pay a one-time actuarially priced non-transferable, non-interest bearing Membership Fee based on the member's age at time of enrollment and plan option chosen, as well as an ongoing Monthly Fee. The Monthly Fee varies with the plan option chosen. The table below shows a sample of the Membership Fee and Monthly Fees for age 65, 75 & 85, for the four plan options for effective June 1, 2021. All fees are per person.

Navigation at Home Sample Pricing

Membership Fee

| <u>Age</u> | All Inclusive | Enhanced | Classic | Access |
|------------|----------------------|-----------------|----------------|---------------|
| 65 | \$37,721 | \$30,514 | \$25,006 | \$22,703 |
| 75 | \$61,133 | \$50,028 | \$38,946 | \$33,354 |
| 85 | \$85,809 | \$70,340 | \$53,235 | \$46,192 |

Monthly Fees

| <u>Age</u> | All Inclusive | Enhanced | Classic | Access |
|------------|----------------------|-----------------|----------------|---------------|
| All Ages | \$633 | \$544 | \$487 | \$424 |

Each member of a couple receives a 5% discount on the Membership and Monthly Fee.

New Members who enroll in the All Inclusive plan and have an active Long Term Care Insurance policy may be eligible for a discount on their fees based on the details of their policy.

The following table summarizes the service coverage levels for the above plan options:

| Type of Service | All Inclusive | Enhanced | Classic | Access |
|---|---------------|----------|---------|--------|
| Care Coordination | 100% | 100% | 100% | 100% |
| Home Site Services: | | | | |
| Home Care Aide | 100% | 85% | 50% | 65% |
| Companion / Homemaker | 100% | 85% | 50% | 65% |
| Live in Companion | 100% | 85% | 50% | 65% |
| Adult Day Care | 100% | 85% | 50% | 65% |
| Delivered Meals (limited) | 100% | 100% | 100% | 100% |
| Emergency Response System | 100% | 100% | 100% | 100% |
| Home Inspection | 100% | 100% | 100% | 100% |
| Transportation (limited) | 100% | 100% | 100% | 100% |
| Assisted Living or Nursing Home Care^{1,2} | 100% | 70% | 50% | 0% |

¹ Percentages listed that are covered by the Corporation are limited to a cap equal to the then current negotiated private pay daily rate for a private room in the Nursing Home Facility at Salemtowne retirement community. The cap is applied on a monthly basis.

² Applies to Nursing Home or Assisted Living Care provided at Salemtowne retirement community or at a Program-Participating Facility.

Consultative Care Plan

The Consultative Care Plan is a fee-for-service plan available for couples where one member does not medically qualify for one of the plans above. Consultative Care Plan members must live in the same home as a qualified member who has entered into a separate Member Services Agreement in order to be eligible. There is a one-time non-refundable membership fee of \$5,725 which provides access to a personal Wellness Navigator, 24 hours a day, 7 days a week, and the establishment of a care plan for the member. In addition, members will be charged an hourly Wellness Navigator fee based on the current schedule of fees for care coordination and scheduling of any needed home or facility-based services.

Consultative Care Plan members are responsible for all costs associated with home or facility based services including, but not limited to, home health care, health care aide services, homemaker, companion, emergency response system, transportation, meals, adult day care, assisted living, and nursing home care. Providers of such services will contract directly with Consultative Care members. The Program shall have no responsibility for payment of any such services.

ADJUSTMENTS IN FEES

Monthly Fees are usually adjusted annually but may be adjusted from time to time in order to continue operating on a sound financial basis and maintain the Program's high standard of services. The Program will provide 30 days written notice to all members of any such increase in the Monthly Fees.

Historic Changes in Major Fees

The following table shows average changes in the monthly service fees over the life of the program which began in 2014. Note that it is the average dollar amount of the CHANGE in fees from year to year that is shown – NOT the fees themselves. All changes during this period occurred once per year on June 1st.

Standard Monthly Service Fee Historic Changes

| Effective Date | Navigation at Home | |
|----------------|-----------------------|------------------------|
| | % Per Month (Average) | \$ Per Month (Average) |
| 6/1/2017 | 9.00% | \$50 |
| 6/1/2018 | 3.50% | \$20 |
| 6/1/2019 | 3.50% | \$20 |
| 6/1/2020 | 3.00% | \$15 |
| 6/1/2021 | 3.50% | \$19 |

RESCISSION PERIOD

The Member Services Agreement may be rescinded by giving written notice to the Program within 30 days following the latter of the execution of the Member Services Agreement or the receipt of the Disclosure Statement.

TERMINATION

By Member: The member may terminate the Member Services Agreement for any reason by providing written notice of such termination at least 30 days in advance of the termination date. In the case of the death of the member, the Member Services Agreement shall automatically terminate as of the date of death.

By Navigation at Home: The Corporation may terminate the Member Services Agreement if: 1) there has been a material misrepresentation or omission made by the Member in the Member's Membership and/or Financial Applications or Personal Health History form; 2) the Member fails to make payment to the Program of any fees or charges due within 30 days of the date due; 3) the Member does not abide by the rules and regulations adopted by Program and/or Corporation; or 4) the Member breaches any of the terms and conditions of this Agreement; 5) the Member permanently relocates outside the designated service area, or 6) the care coordination team reasonably determines that the member poses a danger to him/herself or to others and member or member's designated representative refuses to allow the transfer of the member from the home site or facility to another facility.

REFUNDS

During the Rescission Period: A refund of the Membership Fee paid, less a non-refundable fee of \$1,000, less the Monthly Fee and additional fees or portion applicable to the time this Agreement was in effect, will be paid within 30 days following receipt of the written notice.

Within the First 48 Months: If the Member Services Agreement is terminated for any reason during the first 48 months following the Effective Date, the Member, or Member's estate, will receive a refund of the Membership Fee paid less: 1) a non-refundable fee of 4% of the

Membership Fee, and 2) less a percentage of the Membership Fee for each month the Agreement remained in effect (full or partial without prorating and including the month in which the refund is payable), and 3) less any additional co-payments, deductibles, fees, cost and expenses accrued.

The Membership Fee shall amortize as follows:

- Home Site Services2% per month
- Any time spent in an Assisted Living Facility or Home Site Services of equal cost in excess of one month.....3% per month
- Any time spent in a Skilled Nursing Facility or Home Site and Assisted Living Facility Services of equal cost in excess of one month.....4% per month

Any refund due shall be refunded within 120 days of the date of termination of this Agreement.

The Program will have the right to set-off against any refund payable to the member for the membership fee, for any deferred monthly fees, any other additional service fees or amounts payable to the Program under the Member Services Agreement and other agreements between the member and the Program or any affiliate of the Program and any costs or expenses that might be due, payable or incurred by the member.

After 48 Months: If the Member Services Agreement is terminated after the first 48 months or after the Membership Fee has fully amortized in accordance with the amortization percentages set forth above, following the Effective Date, no refund shall be given.

No Refund: If the member is under the Consultative Care Plan, there will be no refund of the Membership Fee after the 30-day rescission period.

Ability to Apply Net Membership Fee to Independent Living Entrance Fee. The full amount of the Membership Fee paid pursuant to this Agreement less: 1) a non-refundable fee of Membership Fee, 2) any copayments, deductibles, fees, costs or expenses paid or incurred by the Corporation for Services provided under this Agreement and/or 3) any co-payments, deductibles, fees, costs or expenses due and owing to the Corporation by the Member under this Agreement may be credited towards any future Salemtowne retirement community entry fees for an independent living unit at Salemtowne but not for any assisted living, skilled nursing, memory care or other unit at Salemtowne or any other community or facility. If a Member enters into a Residence and Care Agreement with the Corporation for an independent living unit at Salemtowne, in accordance with this section, the Navigation at Home Membership agreement will automatically terminate.

FINANCIAL ASSISTANCE

It is the desire of Salemtowne and Navigation at home that their membership in Navigation at home will not be terminated solely because of a member's financial inability to pay the Monthly Fee or other charges by reason of circumstances beyond the member's control.

The Corporation will make reasonable effort to acquire the funds necessary to meet the member's Monthly Fees and other charges. If the member is eligible for financial assistance provided by the organization, they will be required to sign a separate financial assistance agreement.

The resources of the Program to provide care for members are limited, and the Program reserves the right to terminate the membership of any member who cannot pay the Monthly Fee and other charges in connection with such person's membership and use of services in the Program. Any determination by the Corporation with regard to the granting or the continuation of financial assistance shall be within the sole discretion of the Corporation.

If a member enters a financial assistance agreement, upon termination of the Member Agreement for any reason the Member or Member's estate will be liable to the Program for the full amount of the subsidy the Member received.

COMPLIANCE WITH APPLICABLE LAWS

Navigation at Home operates in full compliance with all laws, rules, regulations and ordinances promulgated by lawful governmental authorities.

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Appendix A1

Audited Financial Statements as of March 31, 2021 and 2020



Moravian Home, Incorporated (d/b/a Salemtowne)

Financial Statements

Years Ended March 31, 2021 and 2020



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Independent Auditors' Report

Board of Trustees
Moravian Home, Incorporated (d/b/a Salemtowne)
Winston-Salem, NC

We have audited the accompanying financial statements of Moravian Home, Incorporated (d/b/a Salemtowne) (the "Community"), which comprise the balance sheets as of March 31, 2021 and 2020, and the related statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Moravian Home, Incorporated (d/b/a Salemtowne) as of March 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

Greenville, SC
July 28, 2021

Moravian Home, Incorporated (d/b/a Salemtowne)

Balance Sheets

March 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 2,487,504 | \$ 1,073,186 |
| Current portion of assets limited as to use | 3,561,110 | 4,872,690 |
| Accounts receivable, net | 1,013,917 | 2,749,829 |
| Other receivables | 300,363 | 447,197 |
| Prepaid and other current assets | 354,403 | 364,692 |
| Total current assets | <u>7,717,297</u> | <u>9,507,594</u> |
| Assets limited as to use, net of current portion: | | |
| Funds held by trustee under bond indenture, net | 5,856,563 | 13,123,845 |
| Restricted statutory operating reserve | 6,402,000 | 6,375,000 |
| Total assets limited as to use, net of current portion | <u>12,258,563</u> | <u>19,498,845</u> |
| Property and equipment, net | <u>101,114,352</u> | <u>104,696,831</u> |
| Investments | <u>12,687,470</u> | <u>6,981,118</u> |
| Other assets: | | |
| Incremental costs of acquiring contracts, net | 393,344 | 357,001 |
| Development costs - Navigation by Salemtowne net of accumulated amortization of approximately \$261,000 and \$222,000 in 2021 and 2020, respectively | 129,735 | 168,886 |
| Assets in split-interest agreements | 899,393 | 484,352 |
| Total other assets | <u>1,422,472</u> | <u>1,010,239</u> |
| Total assets | <u>\$ 135,200,154</u> | <u>\$ 141,694,627</u> |

Moravian Home, Incorporated (d/b/a Salemtowne)

Balance Sheets

March 31, 2021 and 2020

(Continued)

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------|-----------------------|
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,242,992 | \$ 2,130,600 |
| Accrued expenses | 1,707,959 | 3,046,062 |
| Accrued interest payable | 2,273,569 | 2,516,040 |
| Refundable advance fees | 12,219 | 301,682 |
| Line of credit | 182,164 | 1,500,000 |
| Payroll Protection Program loan | 2,513,055 | - |
| Current portion of lease obligation | 30,471 | 28,141 |
| Current portion of note payable | 10,985 | 10,100 |
| Current portion of bonds payable | 1,460,000 | 3,751,650 |
| Total current liabilities | <u>9,433,414</u> | 13,284,275 |
| Bonds payable, excluding current portion, net | 83,285,379 | 95,501,092 |
| Note payable, excluding current portion | 14,984 | 25,794 |
| Capital lease obligation, excluding current portion | 38,496 | 68,414 |
| Deposits | 429,778 | 2,411,927 |
| Refundable advance fees, excluding current portion | 2,073,487 | 1,312,114 |
| Deferred revenue from advance fees | 30,717,992 | 20,433,240 |
| Total liabilities | <u>125,993,530</u> | 133,036,856 |
| Net assets: | | |
| Without donor restrictions | 4,745,947 | 5,193,209 |
| With donor restrictions | 4,460,677 | 3,464,562 |
| Total net assets | <u>9,206,624</u> | 8,657,771 |
| Total liabilities and net assets | <u>\$ 135,200,154</u> | <u>\$ 141,694,627</u> |

See accompanying notes.

Moravian Home, Incorporated (d/b/a Salemtowne)
Statements of Operations
Years Ended March 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|-----------------------|
| Revenues, gains, and other support: | | |
| Net resident services, including amortization of advance fees of approximately \$3,758,000 in 2021 and \$2,875,000 in 2020 | \$ 27,960,655 | \$ 25,626,917 |
| Contributions | 123,414 | 557,719 |
| Net assets released from restrictions used for operations and benevolent assistance | 257,042 | 552,438 |
| Interest and dividends | 184,810 | 620,230 |
| Net realized gains from sale of investments | 1,740,509 | 1,460,422 |
| Navigation program income, including amortization of advance fees of approximately \$163,000 in 2021 and \$109,000 in 2020 | 595,133 | 460,300 |
| Other income | 1,238,350 | 324,728 |
| | <u>32,099,913</u> | <u>29,602,754</u> |
| Expenses: | | |
| Healthcare, assisted living and clinic | 8,050,146 | 8,211,141 |
| Dining services | 3,866,754 | 3,400,696 |
| Housekeeping, grounds and maintenance | 4,133,172 | 4,153,236 |
| Healthcare activities, fitness, events, and volunteers | 732,363 | 772,426 |
| Navigation program expenses | 760,957 | 440,606 |
| Depreciation and amortization of development costs | 5,798,939 | 4,772,743 |
| Interest | 4,879,852 | 3,522,573 |
| Loss on sale of equipment | 648 | 4,503 |
| Administration and general | 4,987,166 | 5,000,245 |
| Development, community relations and admissions | 1,858,395 | 1,205,988 |
| | <u>35,068,392</u> | <u>31,484,157</u> |
| Operating loss | (2,968,479) | (1,881,403) |
| Non-operating gains (losses): | | |
| Net unrealized gains (losses) on investments | 2,521,217 | (2,395,873) |
| Excess of revenues under expenses | <u>\$ (447,262)</u> | <u>\$ (4,277,276)</u> |

Moravian Home, Incorporated (d/b/a Salemtowne)
Statements of Changes in Net Assets
Years Ended March 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Net assets without donor restrictions: | | |
| Excess of revenues under expenses | \$ (447,262) | \$ (4,277,276) |
| Decrease in net assets without donor restrictions | <u>(447,262)</u> | <u>(4,277,276)</u> |
| Net assets with donor restrictions: | | |
| Contributions | 485,735 | 220,982 |
| Investment income | 352,381 | - |
| Net assets released from restrictions | (257,042) | (552,438) |
| Change in value of split-interest agreements | <u>415,041</u> | <u>(65,685)</u> |
| Increase (decrease) in net assets with donor restrictions | <u>996,115</u> | <u>(397,141)</u> |
| Change in net assets | 548,853 | (4,674,417) |
| Net assets at beginning of year | <u>8,657,771</u> | <u>13,332,188</u> |
| Net assets at end of year | <u>\$ 9,206,624</u> | <u>\$ 8,657,771</u> |

Moravian Home, Incorporated (d/b/a Salemtowne)
Statements of Cash Flows
Years Ended March 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|--------------------|---------------------|
| Operating activities: | | |
| Change in net assets | \$ 548,853 | \$ (4,674,417) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Amortization of advance fees | (3,921,677) | (2,966,779) |
| Depreciation | 5,693,510 | 4,690,257 |
| Amortization of development and incremental costs | 105,429 | 82,486 |
| Amortization of bond discount, premium, and issuance costs | (143,920) | (68,439) |
| Advance fees received | 3,003,716 | 3,596,103 |
| Loss on disposal of equipment | 648 | 4,503 |
| Realized gains on investments | (1,740,509) | (1,460,422) |
| Net unrealized (gains) losses on investments | (2,521,217) | 2,395,873 |
| Loss on extinguishment of debt | 341,557 | - |
| Net changes in: | | |
| Accounts receivable | 1,735,912 | (672,790) |
| Other receivables | 146,834 | (232,863) |
| Prepaid and other current assets | 10,289 | (290,603) |
| Accounts payable | 187,666 | (1,956,357) |
| Accrued expenses | (1,338,103) | 1,848,386 |
| Accrued interest payable | (242,471) | 1,015,173 |
| Room deposits | (203,837) | 387,353 |
| Assets in split-interest agreements | (415,041) | 61,766 |
| Net cash provided by operating activities | <u>1,247,639</u> | <u>1,759,230</u> |
| Investing activities: | | |
| Purchase of investments | (1,471,626) | (496,743) |
| Proceeds from sale of investments | - | 1,680,281 |
| Commissions paid for contracts obtained | (102,621) | - |
| Purchase of property and equipment | (3,186,953) | (27,091,416) |
| Net cash used by investing activities | <u>(4,761,200)</u> | <u>(25,907,878)</u> |

Moravian Home, Incorporated (d/b/a Salemtowne)

Statements of Cash Flows

Years Ended March 31, 2021 and 2020

(Continued)

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| Financing activities: | | |
| Principal payments on bonds payable | (14,705,000) | (1,335,000) |
| Repayments on line of credit | (1,500,000) | (500,000) |
| Proceeds from line of credit | 182,164 | 1,500,000 |
| Proceeds from Payroll Protection Program loan | 2,513,055 | - |
| Principal payments on note payable | (9,925) | (8,891) |
| Principal payments on lease obligation | (27,588) | (27,034) |
| Entrance fees received on new units | 9,424,401 | 2,356,650 |
| Refundable portion of advance fees received, net of refunds | 471,910 | (58,400) |
| Net cash provided (used) by financing activities | <u>(3,650,983)</u> | <u>1,927,325</u> |
| Net decrease in cash and cash equivalents | <u>(7,164,544)</u> | <u>(22,221,323)</u> |
| Cash and cash equivalents, beginning of year | <u>19,069,721</u> | <u>41,291,044</u> |
| Cash and cash equivalents, end of year | <u>\$ 11,905,177</u> | <u>\$ 19,069,721</u> |
| Supplemental cash flow disclosure information: | | |
| Cash paid for interest, including capitalized interest of approximately \$0 and \$1,634,000 in 2021 and 2020, respectively | <u>\$ 5,122,323</u> | <u>\$ 4,142,203</u> |
| Noncash investing and financing activities: | | |
| Additions of property and equipment included in accounts payable | <u>\$ -</u> | <u>\$ 1,075,274</u> |
| Reconciliation of amounts included in the statements of cash flows as cash, cash equivalents, and restricted cash to the balance sheet: | | |
| Cash and cash equivalents | \$ 2,487,504 | \$ 1,073,186 |
| Assets limited as to use | <u>9,417,673</u> | <u>17,996,535</u> |
| Cash, cash equivalents, and restricted cash—end of year | <u>\$ 11,905,177</u> | <u>\$ 19,069,721</u> |

Notes to Financial Statements

1. Description of Organization and Summary of Significant Accounting Policies

Organization

Moravian Home, Incorporated (d/b/a Salemtowne) (the “Community”) is a non-profit organization located in Winston-Salem, North Carolina, that provides housing, health care, and other related services to residents through the ownership and operation of a retirement community containing independent living cottages and apartments, assisted living apartments, and a health care center. The Community is subject to various laws and regulations enacted by the state of North Carolina regarding its activities.

Use of estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include certain investments in highly liquid instruments, including short-term debt securities and money market funds with original maturities of three months or less when purchased.

Investments in equity securities

Investments in equity securities with readily determinable fair values are measured at fair value in the balance sheet. The fair values of investments are determined based upon quoted market prices. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in investment income without donor restrictions and changes in net assets with donor restrictions. All changes in unrealized gains and losses on investments are included in non-operating gains (losses) with the exception of any earnings allocated to donor restricted endowments. Contributed investments are recorded at the fair market value at the date of receipt.

Deferred financing costs and original issue premium/discount

Deferred financing costs for the 2015 Bond series and the 2018 Bond series are being amortized over the term of the related financing. The original issue premium/discount in connection with the 2015 Bond series and 2018 Bond series financing is being amortized over the term of the related financing using the straight-line method, which approximates the effective interest method. Deferred financing costs and the original issue premium/discount for the 2016 Bond series are being amortized over the average life of the bonds of 8.305 years.

Assets limited as to use

Assets limited as to use by Board designation include amounts set aside to meet the operating reserve requirements of N. C. General Statute Chapter 58, Article 64.

Assets limited as to use under bond indenture agreement consist of the proceeds of borrowing available to pay accrued interest as well as funds set aside for debt service and principal fund reserves and the new project account at March 31, 2020 which was fully depleted by March 31, 2021.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation. Contributed property is recorded at the estimated fair value at the date of receipt. Depreciation is computed under the straight-line method and is based on estimated useful lives of 40 years for buildings, 8 to 10 years for principal equipment, 3 to 5 years for minor equipment and 5 years for vehicles. The cost of maintenance and repairs is expensed as incurred. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring and constructing those assets.

The Community periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of any asset may not be recoverable. For assets to be held, impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than carrying amount. For assets to be disposed of, impairment is determined to exist if the estimated net realizable value is less than the carrying amount. No impairment was identified and recorded for the year ended March 31, 2021 or 2020.

Deposits on unoccupied units

Deposits for cottage and apartment accommodations to be occupied in the future are deferred when received. A portion of the deposit is refundable if the resident terminates the continuing care contract.

Incremental costs of acquiring contracts

The Company capitalizes incremental costs of acquiring contracts and amortizes such costs over the estimated term of the related contract.

Deferred revenue from advance fees

Fees paid by a resident upon entering into a continuing care contract, net of the portion thereof which is refundable to the resident, are recorded as deferred revenue and amortized into net resident services revenue using the straight-line method over the estimated remaining life expectancy of the resident, adjusted on an annual basis. When a resident terminates occupancy, any unamortized advance fees, net of refundable amounts, are recognized as net resident service revenue.

Obligation to provide future services

The Community enters into continuing care contracts with various residents. A continuing care contract is an agreement between a resident and the Community specifying the services and facilities to be provided over the resident's remaining life. Under the contracts, the Community has the ability to increase fees as deemed necessary. As of the end of each year, the Community calculates the present value of the estimated net cost of future services to be provided, including the cost of facilities to current residents, and compares the amount with the deferred revenue from advance fees at that date. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, a liability (obligation to provide future services) is recorded. No liability has been recorded as of March 31, 2021 or 2020, because the present value of the estimated net costs of future services and use of facilities is less than deferred revenues from advances fees. The present value of the net cost of future services and use of facilities was discounted at 5.5% in both 2021 and 2020.

Nets assets with donor restrictions

Net assets with donor restrictions are those whose use by the Community has been limited by donors to a specific time period, purpose, or have been restricted by donors to be maintained by the Community in perpetuity. Board designated net assets without donor restrictions have been restricted by the Board of Trustees for use for financial assistance and campus expansion, but could later be designated for other purposes by the Board of Trustees.

Net appreciation on endowment funds is reported as an increase in net assets without donor restrictions unless such net appreciation is restricted by the donor or by law. Net realized appreciation on endowment funds is classified in the accompanying financial statements as part of net assets without donor restrictions or net assets with donor restrictions based on restrictions established by donors and state law.

Net resident services revenue

Net resident services revenue represents the estimated net realizable amounts from patients, third-party payors, and others for services rendered, and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Historically, such adjustments for the Community have been immaterial in relation to the financial statements as a whole.

Revenues under third-party payor agreements are subject to examination and retroactive adjustments. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the amounts accrued and subsequent settlements are recorded in operations in the year of settlement.

Navigation by Salemtowne

Navigation by Salemtowne's mission is to provide coordination of care for older adults who wish to remain in their own homes in their later years. The Community's goal is to combine the security of a continuing care retirement community with the freedom and autonomy of living at home. The Community supports older adults to stay healthy and independent throughout their years through education, physical activities and socialization, and the coordination of care when necessary. The Community admitted its first member into the Navigation by Salemtowne program in fiscal year 2015.

Donor restrictions

The Community reports contributions of cash and other assets 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 purpose restriction is accomplished), donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period as received are reflected as unrestricted contributions in the accompanying financial statements.

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

Benevolent assistance

The Community provides benevolent assistance to residents who are unable to pay. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis. The Community utilizes certain net assets with donor restrictions, as well as earnings from certain net assets with donor restrictions and board designated net assets, to fund the care of such residents.

Excess of revenues under expenses

The statements of operations includes excess of revenues under expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues under expenses, consistent with industry practice, include changes in unrealized gains and losses on investments other than trading securities, net assets released from restrictions for purchase of property and equipment, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for purposes of acquiring such assets), and impairment losses on property and equipment.

Income tax status

The Community is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Community has determined that it does not have any material unrecognized tax benefits or obligations as of March 31, 2021. In addition, the Community qualified for the charitable contribution deduction under Section 170(b)(1)(a) and is classified as an organization that is not a private foundation under Section 509(a)(2).

Subsequent events

The Community evaluated the effect subsequent events would have on the financial statements through July 28, 2021, which is the date the financial statements were issued.

Reclassification

Certain amounts in the 2020 financial statements were reclassified in order to conform to the 2021 presentation. Such reclassifications include detail added to the balance sheet for incremental costs of acquiring contracts, net (which had previously been included in property and equipment, net), expense reclassifications on the statement of operations, and detail added to the statement of cash flows to show proceeds and purchases of investments separately.

2. Revenue Recognition

The Community 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 life care contracts that residents select require an advanced fee and monthly fees based upon the type of space 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 Accounting Standards Codification (“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 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 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 the performance obligation is the material right associated with access to future services as described in ASC 606-10-55 paragraph 42 and 51.

Health care services:

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

The Community disaggregates its revenue from contracts with customers by payor source, as the Community believes it best depicts how the nature, timing and uncertainty of its revenues and cash flows are affected by economic factors. See details on a reportable segment basis in the table below:

| | Year Ended March 31, 2021 | | | Total |
|----------------------------------|----------------------------------|--|----------------------------|----------------------|
| | Independent Living | Assisted Living & Memory Care | Skilled Nursing | |
| Private pay | \$ 12,681,703 | \$ 4,010,932 | \$ 5,867,482 | \$ 22,560,117 |
| Government reimbursement | - | - | 4,439,224 | 4,439,224 |
| Other third-party payor programs | - | - | 961,314 | 961,314 |
| Total | \$ 12,681,703 | \$ 4,010,932 | \$ 11,268,020 | \$ 27,960,655 |

| | Year Ended March 31, 2020 | | | Total |
|----------------------------------|----------------------------------|--|-----------------------------|-----------------------------|
| | Independent Living | Assisted Living & Memory Care | Skilled Nursing | |
| Private pay | \$ 9,410,525 | \$ 4,044,319 | \$ 6,036,729 | \$ 19,491,573 |
| Government reimbursement | - | - | 5,045,289 | 5,045,289 |
| Other third-party payor programs | - | - | 1,090,055 | 1,090,055 |
| Total | <u>\$ 9,410,525</u> | <u>\$ 4,044,319</u> | <u>\$ 12,172,073</u> | <u>\$ 25,626,917</u> |

3. Fair Values of Assets and Liabilities

Fair value as defined under generally accepted accounting principles 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. Generally accepted accounting principles establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1: Observable inputs such as quoted prices in active markets.
- Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Community'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.

Asset Measured at Fair Value on a Recurring Basis

When quoted prices are available in active markets for identical instruments, investment securities are classified within Level 1 of the fair value hierarchy. Level 1 investments include common stocks, fixed income mutual funds, and exchange-traded funds which are valued based on prices readily available in active markets in which those securities are traded. Level 1 investments also include money market funds which are valued based on transacted values.

The Community does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 2 or Level 3. There were no transfers in or out of Level 3 during 2021 and 2020. There were no changes during 2021 and 2020 to the Community's valuation techniques used to measure asset and liability fair values on a recurring basis.

The following tables set forth by level within the fair value hierarchy the Community's assets accounted for at fair value on a recurring basis on March 31, 2021 and 2020.

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| | March 31, 2021 | | | Total |
|-------------------------------|-----------------------------|--------------------|--------------------|-----------------------------|
| | Level 1 | Level 2 | Level 3 | |
| Income and money market funds | \$ 11,646,352 | \$ - | \$ - | \$ 11,646,352 |
| Common stocks | 8,327,187 | - | - | 8,327,187 |
| Fixed income mutual funds | 6,343,665 | - | - | 6,343,665 |
| Exchange-traded funds | 1,969,939 | - | - | 1,969,939 |
| Total | <u>\$ 28,287,143</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 28,287,143</u> |

The Community has \$220,000 of cash balances included in assets limited as to use and investments as of March 31, 2021, which is not included in the fair value hierarchy.

| | March 31, 2020 | | | Total |
|-------------------------------|-----------------------------|--------------------|--------------------|-----------------------------|
| | Level 1 | Level 2 | Level 3 | |
| Income and money market funds | \$ 15,495,281 | \$ - | \$ - | \$ 15,495,281 |
| Common stocks | 3,916,000 | - | - | 3,916,000 |
| Fixed income mutual funds | 7,222,258 | - | - | 7,222,258 |
| Exchange-traded funds | 1,366,020 | - | - | 1,366,020 |
| Total | <u>\$ 27,999,559</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 27,999,559</u> |

The Community has \$3,353,094 of cash balances included in assets limited as to use and investments as of March 31, 2020, which is not included in the fair value hierarchy.

4. Investments and Assets Limited as to Use

Assets limited as to use and investments are stated at fair value and include the following at March 31:

| | 2021 | 2020 |
|---|-----------------------------|-----------------------------|
| Assets held in professionally managed trust accounts: | | |
| Cash and cash equivalents | \$ 220,000 | \$ 3,353,094 |
| Short-term income and money market funds | 11,646,352 | 15,495,281 |
| Common stocks and fixed income mutual funds | 14,670,852 | 11,138,258 |
| Exchange-traded funds | 1,969,939 | 1,366,020 |
| Total assets limited as to use and investments | <u>\$ 28,507,143</u> | <u>\$ 31,352,653</u> |

Investments in equity securities (common stocks, fixed income mutual funds and exchange-traded funds) have a market value of \$16,640,791 with a cost of \$13,408,955 at March 31, 2021. This resulted in a net unrealized gain of \$3,231,836. Investments in equity securities have a market value of \$12,504,278 with a cost of \$12,244,496 at March 31, 2020. This resulted in a net unrealized gain of \$259,782.

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The Community allocates its investment portfolios between investments and various categories of assets limited as to use. The allocation of these assets between limited as to use and investments is set forth in the following table at March 31:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Assets limited to use: | | |
| Board designated: | | |
| Restricted statutory operating reserve | <u>\$ 6,402,000</u> | <u>\$ 6,375,000</u> |
| Under bond indenture agreement: | | |
| Accrued interest fund | 2,276,110 | 2,672,159 |
| Debt service reserve fund | 5,856,563 | 6,353,876 |
| Escrow fund | - | 3,159,847 |
| Principal fund | 1,285,000 | 692,491 |
| Project fund | - | 5,118,162 |
| | <u>9,417,673</u> | <u>17,996,535</u> |
| Total assets limited as to use | <u>15,819,673</u> | <u>24,371,535</u> |
| Total investments | <u>12,687,470</u> | <u>6,981,118</u> |
| Total assets limited as to use and investments | <u>\$ 28,507,143</u> | <u>\$ 31,352,653</u> |

Investment income (loss) for the years ended March 31 follows:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Interest and dividends | \$ 184,810 | \$ 620,230 |
| Net realized gains on sale of investments | 1,740,509 | 1,460,422 |
| Net unrealized gains (losses) on investments | <u>2,873,598</u> | <u>(2,395,873)</u> |
| Total investment income (loss) | <u>\$ 4,798,917</u> | <u>\$ (315,221)</u> |

The Community has adopted investment policies and monitors the allocation of investments between types of investments including corporate bonds, equities, and mutual funds.

5. Property and Equipment

A summary of property and equipment at March 31 is as follows:

| | <u>2021</u> | <u>2020</u> |
|--------------------------|-----------------------|-----------------------|
| Land and improvements | \$ 4,144,859 | \$ 4,107,227 |
| Buildings | 132,090,219 | 112,792,698 |
| Furniture and equipment | 6,297,220 | 5,853,839 |
| Vehicles | 544,295 | 521,431 |
| Other | 132,930 | 125,957 |
| Construction in progress | <u>617,995</u> | <u>18,240,793</u> |
| | 143,827,518 | 141,641,945 |
| Accumulated depreciation | <u>(42,713,166)</u> | <u>(36,945,114)</u> |
| | <u>\$ 101,114,352</u> | <u>\$ 104,696,831</u> |

Interest expense capitalized was \$0 and \$1,634,803 for the years ended March 31, 2021 and 2020, respectively.

6. Bonds Payable

In August 2015, the Series 2015 Bonds were issued in the amount of \$42,585,000 by the North Carolina Medical Care Commission, the proceeds from which were loaned to the Community pursuant to a Loan Agreement. The Series 2015 Bonds are limited obligations of the Commission payable solely from revenues of the Community assigned to the Trustee pursuant to the Loan Agreement and Deed of Trust, and to the extent provided in the Trust Agreement, the monies on deposit in certain funds and accounts created by the Trust Agreement.

The Series 2015 Bonds were used to fund a debt service reserve, pay issuance costs and provide funds for a previous expansion project.

In September 2016, the Series 2016A Bonds were issued in the amount of \$23,470,000 by the North Carolina Medical Care Commission, the proceeds from which were used to (a) refund all of the outstanding Series 2006 Bonds (b) fund a debt service reserve fund, and (c) pay certain expenses incurred in connection with the issuance of the bonds.

In October 2018, the Series 2018 Bonds were issued in the amount of \$38,250,000 by the North Carolina Medical Care Commission, the proceeds from which were used to (a) finance a current expansion project (b) fund a debt service reserve fund (c) pay a portion of the interest accruing on the bonds during the construction of the expansion project, and (d) pay certain expenses incurred in connection with the issuance of the bonds.

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A summary of the Bonds outstanding at March 31 is as follows:

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------------|-----------------------------|
| Series 2015: | | |
| Term bonds with interest rates and October 1 due dates as follows: | | |
| 5.250%, 2035 | \$ 4,000,000 | \$ 4,000,000 |
| 5.250%, 2037 | 11,840,000 | 11,840,000 |
| 5.375%, 2045 | 26,745,000 | 26,745,000 |
| Series 2016A: | | |
| Term bonds with interest rates and October 1 due dates as follows: | | |
| 5.000%, 2020 | - | 1,395,000 |
| 5.000%, 2026 | 8,750,000 | 8,685,000 |
| 3.250%, 2026 | 1,200,000 | 1,200,000 |
| 5.000%, 2030 | 6,915,000 | 6,915,000 |
| 3.625%, 2030 | 1,400,000 | 1,400,000 |
| Series 2018: | | |
| Term bonds with interest rates and October 1 due dates as follows: | | |
| 3.55%, 2024 | - | 8,375,000 |
| 4.00%, 2025 | - | 5,000,000 |
| 4.50%, 2033 | 1,350,000 | 1,350,000 |
| 5.00%, 2038 | 2,635,000 | 2,635,000 |
| 5.00%, 2043 | 3,360,000 | 3,360,000 |
| 5.00%, 2048 | 17,530,000 | 17,530,000 |
| Total bonds payable | 85,725,000 | 100,430,000 |
| Less current portion of bonds payable | (1,460,000) | (3,751,650) |
| Deferred financing costs, net | (1,141,783) | (1,548,000) |
| Unamortized original issue premium and discount, net | 162,162 | 370,742 |
| | <u>\$ 83,285,379</u> | <u>\$ 95,501,092</u> |

The Series 2015 Bonds maturing on October 1, 2035, 2037, and 2045 will be subject to mandatory redemption in part by lot on October 1 in the years and amounts set forth in the bond financing agreement.

The Series 2016A Bonds maturing on October 1, 2026 and 2030 will be subject to mandatory redemption in part by lot on October 1 in the years and amounts set forth in the bond financing agreement.

The Series 2018 Bonds maturing on October 1, 2033, 2038, 2043, and 2048 will be subject to mandatory redemption on part by lot on October 1 in the year and amounts set forth in the bond financing agreement.

Under the Loan Agreement, the Community granted the Commission a security interest in all assets of the Community.

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The Master Trust Indentures requires the maintenance of a 1.20 long-term debt service coverage ratio and contains other covenants restricting, among other things, incurrence of indebtedness, existence of liens on property, consolidation and merger, and transfer of assets. The Loan Agreements requires the maintenance of a liquidity ratio of 150 days cash on hand. The Community was in compliance with the long-term debt service coverage ratio and days cash on hand at March 31, 2021.

Payment of principal on the bonds by the Community is as follows:

Fiscal Year

| | |
|------------|----------------------|
| 2022 | \$ 1,460,000 |
| 2023 | 1,530,000 |
| 2024 | 1,605,000 |
| 2025 | 1,680,000 |
| 2026 | 1,765,000 |
| Thereafter | <u>77,685,000</u> |
| | <u>\$ 85,725,000</u> |

7. Lines of Credit

At March 31, 2017, the Community entered into a revolving line of credit agreement with a local bank, which allows for borrowing up to \$250,000. At November 8, 2018, the line of credit was increased to allow for borrowings up to \$500,000. Interest accrued at a floating rate of prime, plus a margin (6.50% at March 31, 2019) and was due and payable monthly commencing on December 5, 2018. The line of credit matured on March 1, 2020 at which time all outstanding principal and accrued interest was due. The outstanding balance at March 31, 2019 was \$500,000 with the balance being repaid during 2020.

In February 2020, the Community entered into a revolving line of credit agreement with a local bank, which allows for borrowing up to \$1,500,000. Interest accrues at a floating rate of prime plus a margin of 1.5% and is due and payable monthly commencing on March 2020. The line of credit originally matured on February 1, 2021 but was extended to June 30, 2022 at which time all outstanding principal and accrued interest will be due. The outstanding balance at March 31, 2021 was \$182,164.

8. Refundable Fees

The Community offers three different continuing care contracts, 1) a standard rate plan, 2) a 50% refundable plan, and 3) a 90% refundable plan. The non-refundable portions of these fees are recorded as deferred revenue. The refundable portion is treated as a long-term liability. Refunds of refundable entrance fees are paid upon termination of the agreement (provided the resident's independent living unit is reoccupied) or within twenty-four months, whichever occurs first.

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The Community's continuing care contracts provide for reimbursement of a portion of the advance fee upon termination of the agreement in the event of move-out, death, or termination by the Community. For a standard contract, the refundable amount is equal to the entrance fee less a non-refundable fee of 4% of the initial entrance fee. The remaining balance becomes non-refundable at a rate of 2% for each month of occupancy for up to 48 months, at which time there is no refundable amount. For a 50% refundable contract, the refundable amount is equal to the entrance fee less a non-refundable fee of 4% of the initial entrance fee with the remaining balance subject to amortization of 2% percent for each month of occupancy, for up to 23 months at which point the 50% refundable amount remains refundable. For a 90% refundable contract, the refundable amount is equal to the entrance fee less a non-refundable fee of 4% of the initial entrance fee with the remaining balance subject to amortization of 1% for each month of occupancy, for up to 6 months at which point the 90% refundable amount remains refundable.

Based on the status of continuing care contracts in effect at March 31, 2021 and 2020, the actual amount of contractual refund obligations which existed at those dates was approximately \$18,900,000 and \$10,900,000, respectively.

The amount of the contractual refund obligations that is expected to be refunded, based on historical experience, is classified as refundable advance fees.

9. Net Assets with Donor Restrictions

Net assets are available for the following purposes or periods at March 31:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|-------------------|
| Split-interest agreements (time-restricted) | \$ 413,729 | \$ 209,100 |
| Pathways debt reduction | 35,523 | 11,432 |
| Single Sisters Preservation of the Community Fund | 52,604 | 52,089 |
| Unappropriated endowment earnings and other | 727,295 | 95,343 |
| Pathways trails | 40,191 | 40,191 |
| Lucille Fogle (walking trails, sidewalks and care of residents) | <u>14,404</u> | <u>14,404</u> |
| | <u>\$ 1,283,746</u> | <u>\$ 422,559</u> |

Net assets restricted to investments in perpetuity, the income from which is expendable to support residents in financial need, personnel recruiting (health care) and general obligations. Principal balance invested for these purposes at March 31 consisted of:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Financial assistance | \$ 2,447,848 | \$ 2,379,418 |
| Restricted endowments | 46,987 | 46,987 |
| Single Sisters Preservation of the Community Fund | 169,354 | 169,354 |
| Split-interest agreements | 383,992 | 317,494 |
| Babcock Campus (protected conservation area) | <u>128,750</u> | <u>128,750</u> |
| | <u>\$ 3,176,931</u> | <u>\$ 3,042,003</u> |

10. Split Interest Agreements

The Community is a beneficiary of certain split-interest agreements, all of which are held or controlled by various third parties. The estimated present value of the future distributions the Community expects to receive from irrevocable split-interest agreements is recorded as an asset in the financial statements. Changes in the value of irrevocable split-interest agreement are recorded as changes in net assets.

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

Charitable Remainder Trust – A charitable remainder trust provides for the payment of distribution to the grantor or other designated beneficiaries over the trust’s term. The term of all charitable remainder trusts which name the Community as a remainder beneficiary are the lifetimes of the respective distribution recipients. At the end of the respective trust’s terms, the remaining assets in which the Community has an interest will be distributed to the Community.

Upon receipt of a beneficial interest in a charitable remainder trust, the present value of such interest is recorded as contribution income. The annual change in the present value of the beneficial interest is recorded as a change in value of split-interest agreements on the statement of changes in net assets. Such valuations are based on estimated mortality rates, projected investment returns, and other assumptions that could change in the near term.

Beneficial Interest in Perpetual Trust – Beneficial interest in perpetual trust represents assets held in trust and administered by a third party, from which the Community has the irrevocable right to receive a share of income from the trust’s assets in perpetuity. The assets are stated as the fair value of the Community’s share of trust assets, which is an approximation of the present value of the estimated future distributions from this trust.

Upon receipt of an irrevocable interest in the income of a perpetual trust administered by a third party, the Community records the fair value of estimated future distributions from the trust as contribution income with donor restrictions. Over the term of the perpetual trust, income distributions to the Community are included in investment income. Annual changes in the fair value of trust assets are recorded as gain or loss on the statement of changes in net assets with donor restrictions. Such valuations are based on estimated mortality rates and other assumptions that could change in the near future.

11. Statutory Operating Reserve Requirements

North Carolina General Statute Chapter 58, Article 64 sets forth minimum operating reserve requirements. Under this legislation, the Community is required to maintain an operating reserve at least equal to 25% or 50% of the upcoming year’s total operating costs as defined by the statute based on whether the occupancy in independent living and assisted living is above or below 90%. At March 31, 2021 and 2020, management estimated that \$6,402,000 and \$6,375,000, respectively, would be required to meet the 25% operating reserve requirement. The Board of Trustees has designated \$6,402,000 and \$6,375,000 at March 31, 2021 and 2020, respectively, as this reserve.

12. Retirement Savings Plan

The Community maintains a defined contribution retirement savings plan for eligible associates. If associates elect to make contributions to the plan, the Community matched them dollar for dollar up to 3% of gross salary and then at the rate of \$.50 per dollar for the next 2% of gross salary. For the years ended March 31, 2021 and 2020, the Community made contributions totaling approximately \$190,000 and \$170,000, respectively.

13. Benevolent Assistance, Community Outreach and Other Contractual Adjustments

The Community maintains records to identify and monitor benevolent assistance provided. Records include costs to assist Salemtowne residents with entrance and monthly fees, medical expenses, meals, transportation, housekeeping and other programs and activities. The Community also provides financial assistance (Community Outreach) to community not-for-profit organizations who support or provide services to older persons. Benevolent assistance and Community Outreach included in the attached financial statements totals \$1,445,000 and \$1,303,000 for the years ended March 31, 2021 and 2020, respectively.

Residents in the health center and assisted living levels of care may be eligible to participate in the North Carolina Medicaid or federal Medicare programs. Contractual adjustments represent the difference between the Community's standard rates and the rates paid by third party payors. For the years ended March 31, 2021 and 2020, net patient service revenue was reduced by third party payor contractual adjustments (primarily Medicaid and Medicare) of approximately \$3,776,000 and \$5,523,000, respectively.

14. Concentrations of Credit Risk

The Community maintains its cash accounts at commercial banks. The cash balances in each bank are insured by Federal Deposit Insurance Corporation up to \$250,000. The funds on deposit with the brokerage accounts are insured by the Securities Investor Protection Corporation up to \$500,000. At times, amounts on deposit may be in excess of the insured limits.

15. Commitments and Contingencies

The Community has in place insurance coverage for possible litigation in the ordinary course of business related to professional liability claims. Management believes that claims, if asserted, would be settled within the limits of coverage, which is on a claims-made basis, with insurance limits of \$1,000,000 per claim and \$3,000,000 in the aggregate. Should the Community 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 Community obtains tail coverage. No claims were outstanding during the year or at year-end, therefore, the Community believes that an accrual for unasserted claims is not necessary.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers.

Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

16. Endowment Funds

The Community’s endowments consist of individual funds established for a variety of purposes including support for residents in financial need, personnel recruiting, buildings, and other general obligations. The endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles (“GAAP”), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Trustees of the Community has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 Community classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Community considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

The duration and preservation of the fund:

- The purposes of the organization and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the organization.
- The investment policies of the organization.

Endowment Net Asset Composition by Type of Fund as of March 31, 2021:

| | Board Designated Without Donor Restrictions | With Donor Restrictions | <u>Total</u> |
|----------------------|--|------------------------------------|-----------------------------|
| Endowment net assets | <u>\$ 7,381,500</u> | <u>\$ 4,460,677</u> | <u>\$ 11,842,177</u> |

Moravian Home, Incorporated
(d/b/a Salemtowne)
Notes to Financial Statements

Changes in Endowment Net Assets for the Year Ended March 31, 2021

| | Board Designated Without Donor Restrictions | With Donor Restrictions | Total |
|--|--|------------------------------------|----------------------|
| Endowment net assets, beginning of year | \$ 7,305,547 | \$ 3,464,562 | \$ 10,770,109 |
| Contributions to principal | 75,953 | 485,735 | 561,688 |
| Investment income | - | 352,381 | 352,381 |
| Net assets released from restriction | - | (257,042) | (257,042) |
| Change in value of split-interest agreements | - | 415,041 | 415,041 |
| Endowment net assets, end of year | <u>\$ 7,381,500</u> | <u>\$ 4,460,677</u> | <u>\$ 11,842,177</u> |

Endowment Net Asset Composition by Type of Fund as of March 31, 2020

| | Board Designated Without Donor Restrictions | With Donor Restrictions | Total |
|----------------------|--|------------------------------------|----------------------|
| Endowment net assets | <u>\$ 7,305,547</u> | <u>\$ 3,464,562</u> | <u>\$ 10,770,109</u> |

Changes in Endowment Net Assets for the Year Ended March 31, 2020

| | Board Designated Without Donor Restrictions | With Donor Restrictions | Total |
|--|--|------------------------------------|----------------------|
| Endowment net assets, beginning of year | \$ 7,143,534 | \$ 3,861,703 | \$ 11,005,237 |
| Contributions to principal | 162,013 | 220,983 | 382,996 |
| Net assets released from restriction | - | (552,438) | (552,438) |
| Change in value of split-interest agreements | - | (65,686) | (65,686) |
| Endowment net assets, end of year | <u>\$ 7,305,547</u> | <u>\$ 3,464,562</u> | <u>\$ 10,770,109</u> |

Return objectives and risk parameters

The Community has adopted investment and spending policies for endowment assets that attempt to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Community 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 Community targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy

The Community has a policy of utilizing the interest and dividends earned on these endowments for their restricted purposes. The Community believes the investment policy established will facilitate the growth of these endowed funds and allow for earnings on these endowed funds to be used consistent with the intent of the donors.

17. Liquidity and Availability

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

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

The Community seeks to maintain sufficient liquid assets to cover three months' operating and capital expenses.

Financial assets available for general expenditure within one year of the balance sheet date, consist of the following:

| <u>Asset Categories</u> | <u>2021</u> | <u>2020</u> |
|--|----------------------|---------------------|
| Cash and cash equivalents | \$ 2,487,504 | \$ 1,073,186 |
| Accounts receivable | 1,013,917 | 2,749,829 |
| Other receivables | 300,363 | 447,197 |
| Investments and assets limited as to use | 28,507,143 | 31,352,653 |
| Less: Held by trustee | (9,417,673) | (17,996,535) |
| Less: Reserves required by state statute | (6,402,000) | (6,375,000) |
| Less: Restricted by donor | (4,460,677) | (3,464,562) |
| | <u>\$ 12,028,577</u> | <u>\$ 7,786,768</u> |

18. COVID-19

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. Many state and local governments, including North Carolina, have imposed strict measures to curtail certain aspects of public life in an effort to contain COVID-19 as U.S. cases have risen sharply, and such curtailments have resulted in significant disruption of the U.S. economy and financial markets.

Management has activated plans to address risks associated with the impact of COVID-19, including various cost saving measures, including but not limited to significant reductions in discretionary expenses, and an evaluation of available sources of liquidity and other resources. It is not currently possible to predict the ongoing or long-term impact of COVID-19 on the Company, and therefore the accompanying financial statements do not reflect any adjustment as a result of this uncertainty. The Company's financial condition, liquidity, and results of operations could be adversely affected from the continuing impact of COVID-19, and such impact could be material. The potential impact on the Company and its operations from these new measures is currently uncertain.

On March 27, 2020, the federal Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law, which is intended to provide economic relief and emergency assistance for individuals, families and businesses affected by COVID-19. Various state governments are also taking action to provide economic relief and emergency assistance. The Company received CARES Act Provider Relief Funds ("PRF") of approximately \$962,000 during the year ended March 31, 2021, all of which has been recognized as other income in the statements of operations to the extent the eligibility requirements with the terms and conditions for entitlement to such funding for healthcare related expenses or lost revenues to prevent, prepare for or respond to COVID-19, have been met.

In October and November 2020, as well as January 2021 and June 2021, HHS issued Post-Payment Notices of Reporting Requirements ("PPNRR") which establish the reporting criteria for providers which received PRF funding under the CARES Act. The January and June 2021 PPNRR is considered to be clarifying in nature to guidance released in 2020 and not a substantive modification. The Company is applying the most recent guidance. The guidance provided in the PPNRR and subsequently issued responses to frequently asked questions is advisory in nature, and subject to change, and it is unknown at the report date what impacts this, and future guidance, will have on PRF funding and revenue recognition. As such, amounts recognized as operating revenue for the year ended March 31, 2021 are subject to change and those changes could be material. The funds are also subject to future audits and potential adjustment and certain amounts may need to be repaid to the government.

19. Payroll Protection Program

The CARES Act also provides for the establishment of the Payroll Protection Program ("PPP"), a new loan program under the Small Business Administration's 7(a) program providing loans to qualifying businesses. Loans originated under this program may be forgiven, in whole or in part, if certain criteria are met.

The Company received a PPP loan of approximately \$2,500,000 and believes that it was eligible under the PPP to receive the funds and expects to meet the requirements under the program to have the loan forgiven. The Company has elected to account for the funds received in accordance with ASC Topic 470, Debt. In order to be forgiven, funds from these loans may only be used to satisfy payroll costs, costs used to continue health care benefits, mortgage payments, rent, utilities, and interest on certain other debt obligations. The Company believes it has used the proceeds of the loan for qualifying expenses under the PPP. The loan accrued interest at a rate of 1% and had an original maturity date of five years. Payments were deferred during the deferral period, which began on the loan origination date and extended for 10 months beyond the last day of the Company's covered period. On December 22, 2020, the Company submitted the loan forgiveness application. The Company has elected to classify the outstanding balance of the loan as a current liability on the accompanying balance sheet as forgiveness was expected within the next operating cycle. On June 11 2021, the Small Business Administration approved the application for forgiveness and all outstanding principal and accrued interest was forgiven.

20. Schedule of Expenses by Natural Classification and Function

The following is a schedule of expenses by both natural classification and function for the year ended March 31, 2021:

| | Program Services | | | Administrative and General | Marketing | Total |
|-------------------------------|---------------------|---------------------|---------------------|----------------------------|---------------------|----------------------|
| | Independent | Assisted Living | Skilled Nursing | | | |
| Salaries and benefits | \$ 3,887,115 | \$ 1,531,055 | \$ 5,860,441 | \$ 2,494,096 | \$ 606,123 | \$ 14,378,830 |
| Medical and personal care | 259,863 | 96,108 | 1,606,168 | 1,810 | 495 | 1,964,444 |
| Food services | 797,703 | 2,048 | 602,941 | 9,883 | 10,023 | 1,422,598 |
| Facilities services | 312,222 | 394 | 84,838 | 118,456 | - | 515,910 |
| Supplies | 156,385 | 24,023 | 371,493 | 21,370 | 40,457 | 613,728 |
| Utilities | 1,050,568 | - | 344,720 | 110,775 | - | 1,161,343 |
| Administration | 1,032,578 | 3,466 | 344,720 | 2,290,447 | 265,094 | 3,936,305 |
| Marketing | - | 281 | 1,602 | - | 394,560 | 396,443 |
| Depreciation and amortization | - | - | - | 5,798,939 | - | 5,798,939 |
| Interest expense | - | - | - | 4,879,852 | - | 4,879,852 |
| Total expense | \$ 7,496,434 | \$ 1,657,375 | \$ 8,872,203 | \$ 15,725,628 | \$ 1,316,752 | \$ 35,068,392 |

The following is a schedule of expenses by both natural classification and function for the year ended March 31, 2020:

| | Program Services | | | Administrative and General | Marketing | Total |
|-------------------------------|---------------------|---------------------|---------------------|----------------------------|---------------------|----------------------|
| | Independent | Assisted Living | Skilled Nursing | | | |
| Salaries and benefits | \$ 3,176,863 | \$ 1,284,286 | \$ 6,038,283 | \$ 2,680,286 | \$ 553,207 | \$ 13,732,925 |
| Medical and personal care | 70,384 | 49,956 | 1,997,387 | 4,465 | - | 2,122,192 |
| Food services | 729,383 | 5,059 | 628,168 | 57,261 | 44,811 | 1,464,682 |
| Facilities services | 400,228 | 659 | 87,466 | 29,460 | - | 517,813 |
| Supplies | 163,905 | 25,779 | 327,845 | 47,229 | 30,255 | 595,013 |
| Utilities | 691,608 | - | 177,998 | 220,109 | - | 1,089,715 |
| Administration | 1,049,755 | 4,346 | 173,732 | 1,921,349 | 222,745 | 3,371,927 |
| Marketing | - | - | 5,107 | 5,867 | 283,600 | 294,574 |
| Depreciation and amortization | - | - | - | 4,748,949 | - | 4,748,949 |
| Interest expense | - | - | - | 3,546,367 | - | 3,546,367 |
| Total expense | \$ 6,282,126 | \$ 1,370,085 | \$ 9,435,986 | \$ 13,261,342 | \$ 1,134,618 | \$ 31,484,157 |



Appendix A2

Interim Financial Statements as of June 30, 2021

Moravian Home, Inc. dba Salemtowne
Financial Statements and Analysis
For the Three Periods April 1 through June 30, 2021
Balance Sheet
Internal-not audited

| Acct Description | FY 2021 | FY 2022 | |
|--|------------------------------|------------------------------|--------------------------|
| | March | June | |
| | Act | Act | Change \$ |
| Cash & Cash Equivalents | \$ 2,487,503 | \$ 2,837,670 | \$ 350,168 |
| Funds Held by Trustee - Current Debt Service | 3,561,110 | 2,589,308 | (971,802) |
| Accounts Receivable: | | | |
| Residents & Third Party | 1,055,138 | 1,144,384 | 89,246 |
| Other | 259,143 | 204,778 | (54,365) |
| Investments | 12,687,470 | 13,639,004 | 951,534 |
| Prepaid & Other Current Assets | 354,401 | 434,423 | 80,022 |
| Current Assets | <u>20,404,765</u> | <u>20,849,568</u> | <u>444,803</u> |
| Assets Whose Use is Limited (AWUIL): | | | |
| Statutory Operating Reserve | 6,402,000 | 6,725,000 | 323,000 |
| Funds Held by Trustee - Debt Service | (0) | - | 0 |
| Funds Held by Trustee - Project Funds | 0 | - | (0) |
| Funds Held by Trustee - Debt Service Reserve | 5,856,563 | 5,856,563 | - |
| Funds Held by Trustee - Issuance Cost, net | - | - | - |
| Assets Whose Use is Limited | <u>12,258,563</u> | <u>12,581,563</u> | <u>323,000</u> |
| Non Current: | | | |
| Property & Equipment net of Accumulated Depreciation | 101,244,085 | 100,637,237 | (606,847) |
| Cost of Acquiring Continuing Care Contracts, net | 393,344 | 402,605 | 9,261 |
| Assets in Split Interest Agreements | 899,393 | 899,393 | - |
| Non Current Assets | <u>102,536,822</u> | <u>101,939,236</u> | <u>(597,586)</u> |
| Total Assets | <u>\$ 135,200,149</u> | <u>\$ 135,370,367</u> | <u>\$ 170,217</u> |

Moravian Home, Inc. dba Salemtowne
Financial Statements and Analysis
For the Three Periods April 1 through June 30, 2021
Balance Sheet
Internal-not audited

| Acct Description | FY 2021 | FY 2022 | |
|---|-----------------------|-----------------------|--------------------|
| | March | June | |
| | Act | Act | Change \$ |
| Accounts Payable | \$ 1,242,991 | \$ 1,971,507 | \$ 728,516 |
| Accrued Expenses | 1,707,958 | 1,328,206 | (379,752) |
| Note Payable Investment Fund | - | - | - |
| Short Term Debt | 223,620 | 42,235 | (181,385) |
| Accrued Interest Payable | 2,273,568 | 1,199,533 | (1,074,036) |
| Bonds Payable-Current | 1,460,000 | 1,460,000 | - |
| Current Liabilities | 6,908,137 | 6,001,481 | (906,657) |
| Long Term: | | | |
| Bonds Payable - Long Term | 84,265,100 | 84,265,100 | - |
| Bond Discount & Premium | (979,719) | (914,083) | 65,636 |
| Deposits | 453,437 | 377,047 | (76,390) |
| Refundable Entrance Fees | 18,887,410 | 19,144,085 | 256,675 |
| Deferred Revenue | 13,892,629 | 14,638,193 | 745,564 |
| Stimulus / Cares Act | - | - | - |
| PPP Funding | 2,513,055 | - | (2,513,055) |
| Capital Lease | 38,496 | 30,522 | (7,974) |
| Notes Payable | 14,984 | 12,102 | (2,882) |
| Long Term Liabilities | 119,085,391 | 117,552,965 | (1,532,426) |
| Total Liabilities | 125,993,529 | 123,554,446 | (2,439,083) |
| Net Assets: | | | |
| Unrestricted | 5,250,082 | 7,802,509 | 2,552,427 |
| Perm Restricted | 2,709,731 | 2,709,731 | - |
| Temp Restricted | 1,246,808 | 1,303,681 | 56,873 |
| Total Net Assets | 9,206,621 | 11,815,921 | 2,609,300 |
| Total Liabilities and Net Assets | \$ 135,200,149 | \$ 135,370,367 | \$ 170,217 |

Moravian Home, Inc. dba Salemtowne
Financial Statements and Analysis
For the Three Periods April 1 through June 30, 2021
Income Statement

Internal-not audited

| | June YTD | | | |
|--------------------------------|----------------------|---------------------|---------------------|---------------|
| | \$ Actual | \$ Plan | \$ Var\$ | % Var% |
| Revenue: | | | | |
| Residential | 2,144,651 | 2,091,934 | 52,717 | 2.5% |
| Assisted Living | 529,899 | 562,997 | (33,098) | (5.9%) |
| Memory Support | 513,463 | 507,042 | 6,421 | 1.3% |
| Health Care | 2,904,302 | 3,336,210 | (431,908) | (12.9%) |
| Home Care | 74,849 | 89,937 | (15,087) | (16.8%) |
| Dining | 263,977 | 409,755 | (145,778) | (35.6%) |
| Other Operating | 2,539,543 | 14,565 | 2,524,978 | 17335.9% |
| Navigation by Salemtowne | 132,103 | 126,393 | 5,710 | 4.5% |
| Total Operating Revenue | 9,102,787 | 7,138,833 | 1,963,954 | 27.5% |
| Earned Entrance Fees | 1,038,261 | 1,427,000 | (388,739) | (27.2%) |
| Benevolent Assistance | (45,621) | (45,000) | (621) | (1.4%) |
| Investment Income | 1,323,887 | 167,500 | 1,156,387 | 690.4% |
| Unrestricted Contribution | 43,705 | 62,000 | (18,295) | (29.5%) |
| Non-Operating Revenue | 2,360,233 | 1,611,500 | 748,733 | 46.5% |
| Total Revenue | \$ 11,463,020 | \$ 8,750,333 | \$ 2,712,687 | 31.0% |
| Expense: | | | | |
| Resident Care | 1,828,665 | 1,973,965 | 145,300 | 7.4% |
| Clinic | 27,088 | 29,278 | 2,190 | 7.5% |
| Marketing | 334,529 | 362,458 | 27,929 | 7.7% |
| Reception | 31,002 | 30,296 | (706) | (2.3%) |
| Beauty Shop | 15,818 | 9,476 | (6,341) | (66.9%) |
| Dining Services | 852,225 | 851,576 | (649) | (.1%) |
| Life Enrichment | 141,250 | 150,107 | 8,858 | 5.9% |
| Maintenance & Grounds | 640,750 | 645,187 | 4,437 | .7% |
| Housekeeping & Laundry | 230,793 | 295,043 | 64,250 | 21.8% |
| Transportation | 60,651 | 56,848 | (3,803) | (6.7%) |
| Welcome Center | 46,787 | 48,655 | 1,868 | 3.8% |
| Administration | 476,966 | 603,056 | 126,089 | 20.9% |
| Employee Taxes & Benefits | 821,734 | 771,172 | (50,562) | (6.6%) |
| Finance | 234,813 | 251,331 | 16,518 | 6.6% |
| Information Systems | 293,493 | 313,000 | 19,507 | 6.2% |
| Human Resources | 165,877 | 163,983 | (1,894) | (1.2%) |
| Resident Council | (1,808) | - | 1,808 | |
| Development | 47,315 | 41,839 | (5,475) | (13.1%) |
| Non Departmental Expenses | - | - | - | |
| Total Operating Expense | 6,247,948 | 6,597,272 | 349,324 | 5.3% |
| (Gain)/Loss-Fixed Assets | - | - | - | |
| Asset Impairment | - | - | - | |
| Interest Expenses | 1,113,462 | 1,093,973 | (19,488) | (1.8%) |
| Depreciation and Amortization | 1,557,231 | 1,367,137 | (190,094) | (13.9%) |
| Total Expenses | \$ 8,918,640 | \$ 9,058,383 | \$ 139,742 | 1.5% |
| Net Operating Income | 2,854,839 | 541,561 | 2,313,278 | 427.1% |
| Earnings before D&A | 4,101,610 | 1,059,088 | 3,042,523 | 287.3% |

Moravian Home, Inc. dba Salemtowne
Financial Statements and Analysis
For the Three Periods April 1 through June 30, 2021
Income Statement

Internal-not audited

| <u>Acct Description</u> | June YTD | | | |
|---|---------------------|---------------------|---------------------|----------------|
| | \$ Actual | \$ Plan | \$ Var\$ | % Var% |
| Net Earnings | \$ 2,544,380 | \$ (308,049) | \$ 2,852,429 | 926.0% |
| Other Changes to Unrestricted Net Assets | | | | |
| Board Designated Contributions | - | - | - | |
| Assets Released fr Restriction | 8,048 | - | 8,048 | |
| TR - Assets Released from Restrictions | - | 82,485 | (82,485) | (100.0%) |
| Allocation of Released Assets | - | - | - | |
| PR - Assets Released from Restrictions | - | - | - | |
| PR - Inc/(Loss) Value Split Int Per | - | - | - | |
| TR - Inc/(Loss) Value Split Int Temp | - | - | - | |
| Other Changes to Unrestricted Net Assets | - | - | - | |
| Increase (Decrease) in Unrestricted Net Assets | 2,552,427 | (225,564) | 2,777,991 | 1231.6% |
| Temporarily Restricted Assets: | | | | |
| TR - Assets Released from Restrictions | | | | |
| TR - Contributions and Bequests | 56,873 | - | 56,873 | |
| TR - Gains(Losses) on Investments | - | - | - | |
| Increase (Decrease) in Temporarily Restricted Net Assets | 56,873 | - | 56,873 | |
| Permanently Restricted Assets: | | | | |
| PR - Contributions and Bequests | | | | |
| Restricted - Donor | - | - | - | |
| Restricted - Unidentified | - | - | - | |
| PR - Gains(Losses) on Investments | - | - | - | |
| Increase (Decrease) in Permanently Restricted Net Assets | - | - | - | |
| Net Increase (Decrease) in Net Assets | \$ 2,609,300 | \$ (225,564) | \$ 2,834,864 | 1256.8% |

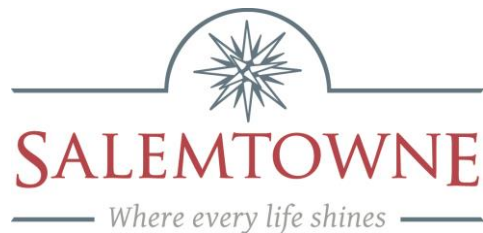
Moravian Home, Inc. dba Salemtowne
Financial Statements and Analysis
For the Three Periods April 1 through June 30, 2021
Statement of Cashflows

| | June |
|---|--------------------------|
| Cash Flow From Operating Activities | |
| Change in Net Assets | 2,609,300 |
| Adjustments to reconcile changes in net assets to | - |
| Amortization of advance fees | (1,093,526) |
| Depreciation | 1,475,068 |
| Amortization | 16,527 |
| Amortization of Bond Discount/Premium | 65,636 |
| In-Kind Contributions | - |
| Advance Fees - Existing Units | 198,200 |
| Advance Fees - Navigation | 116,715 |
| Loss on Disposal of Equipment | - |
| Unrealized (Gains)/Losses in Investments | (1,323,887) |
| Net Change in: | |
| Accounts Receivables | (89,246) |
| Other Receivables | 54,365 |
| Prepaid and Other Current Assets | (80,022) |
| Accounts Payable | 728,516 |
| Accrued Expenses | (379,752) |
| Accrued Interest Payable | (1,074,036) |
| Room Deposits (Existing Units) | 80,100 |
| Assets in Split-Interest Agreements | - |
| Net cash provided by operating activities | <u>1,303,956</u> |
| Cash Flows from Investing Activities | |
| Net change in investments | 49,354 |
| Commissions paid for contracts obtained | (25,788) |
| Purchase of Property and Equipment | (868,220) |
| Net cash provided by investing activities | <u>(844,655)</u> |
| Cash Flows from Financing Activities | |
| Proceeds/(Payments on) - Bonds Payable | - |
| Forgiveness of Payroll Protection Loan | (2,513,055) |
| Proceeds/(Payments on) - Notes Payable | (2,667) |
| Proceeds/(Payments on) - Capital Leases | (7,409) |
| Proceeds/(Payments on) - Line of Credit | (182,164) |
| Net Change in: | |
| Advance Fees (Expansion Units) | 1,780,850 |
| Room Deposits (Expansion Units) | (156,490) |
| Advance Fee Refund Liability | - |
| Bond Trustee Held Accounts | 971,802 |
| Total Cash Flow from Financing Activities | <u>(109,133)</u> |
| Total Cash Flow | <u>\$ 350,168</u> |



Appendix A3

Summary of Calculation of Obligation to Provide Future Service as of
March 31, 2021 (Continuing Care Retirement Community)



**Moravian Home Incorporated, d/b/a
Salemtowne**

Calculation of Obligation
to Provide Future Services

As of March 31, 2021

Report Date: JULY 2, 2021

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SECTION I - INTRODUCTION & EXECUTIVE SUMMARY

Continuing Care Actuaries, LLC (Continuing Care Actuaries) was retained by the management of Moravian Home Incorporated, d/b/a Salemtowne (Salemtowne), a non-profit continuing care retirement community located in Winston-Salem, North Carolina, to calculate the community's Obligation to Provide Future Services and the Use of Facilities to Current Residents (the Obligation) as defined by the AICPA *Health Care Auditing Guidelines*. This calculation was done as of March 31, 2021. This report includes an actuarial based financial projection that measures Salemtowne's Obligation to provide future services to current residents.

In order to calculate the community's Obligation, we projected existing residents through various levels of care until move-out or death. The population projection uses actual resident data to develop assumptions about demographic characteristics of existing residents. The rates of population movement utilized in these projections were developed based on a review of Salemtowne resident demographic experience for the historical period of April 1, 1990 through March 31, 2021 and the Continuing Care Actuaries demographic database for CCRC residents. The Continuing Care Actuaries database contains demographic transfer and mortality experience of over 600,000 CCRC resident life years. This information was then aggregated to create reasonable assumptions consistent with Salemtowne's operational and administrative practices.

The population assumptions were then used to develop a closed group population projection that reflects only the activity of the current group of Salemtowne's residents. A closed group does not have any new residents entering the community, so as residents die or voluntarily withdraw, the projected group size declines. Closed group projections can be used to anticipate individual revenues and expenses over the life of the group. These calculations can be helpful in setting fees and estimating the present value of future liabilities. The population projection forms the basis of the financial projection that was prepared for the obligation calculation as recommended by the AICPA.

We combined the results of our population projection with projected unit revenue and expense items for Salemtowne to develop the net present value of future cash outflows. This value, together with unamortized deferred revenue, unamortized costs of acquiring the initial continuing-care contracts, and allocable depreciation, produces the Obligation.

Resident data regarding units, age, gender and couples' ratio was provided by Salemtowne management representatives. Assumptions regarding expected mortality and morbidity experience were derived from actual historical resident movements and the Continuing Care Actuaries database. Financial information regarding revenues, expenses and depreciation was provided by Salemtowne management and consisted of the budget for fiscal year 2022. No secondary due diligence was conducted by Continuing Care Actuaries as to the accuracy of these assumptions.

Continuing Care Actuaries has calculated the Obligation for Future Services for Current Residents at Salemtowne as of March 31, 2021 to be (\$15,348,000). Since this is a liability calculation, the negative result represents a surplus.

As the Audit Guide specifies that a CCRC should only include a Future Service Obligation amount in financial statements if such amount is positive, Salemtowne's resulting Future Service Obligation amount for financial statements purposes as of March 31, 2021 is \$0.

It should be noted that this surplus is based on the assumptions that monthly fees and operating expenses, not including interest expense, depreciation and amortization, will increase 3.0% each year throughout the projection period. The surplus pertains only to the Obligation calculation and does not demonstrate the financial feasibility of the entire community since debt principal repayments, general and administrative expenses and some revenues are not included in the Obligation calculation. It should also be noted that the Obligation calculation is based on the assumption that Salemtowne will reach and maintain approximately 94.9% occupancy (211.6 out of 223 available units) in the independent living units.

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

Management should scrutinize future developments that may cause the Obligation to become a liability. These developments include higher apartment vacancy rates, higher expense inflation, and higher nursing care utilization and longer life expectancies at all levels of care than assumed in the current projection.

SECTION II - METHODOLOGY AND ASSUMPTIONS

The first step of our actuarial work was to develop the resident demographic assumptions as input to the population projections. These assumptions, which include mortality rates, morbidity rates, and withdrawal rates, are applied to the current and future resident populations in order to track the resident movements through various levels of care until death or move-out. Note that the Obligation calculation excludes those units and beds occupied by private pay or per diem residents.

Based on the demographic experience of Salemtowne since April 1, 1990, we have incorporated nursing transfer, withdrawal, and death rates by adjusting the expected rates from the Continuing Care Actuaries database to reflect Salemtowne's anticipated experience.

The second step in our actuarial review was to develop open and closed group population projections based on derived demographic assumptions. Existing residents as of March 31, 2021 were projected through the various levels of care until death or move-out. Apartment turnovers due to deaths, transfers, and move-outs were projected, and the derivative new entrants "admitted" into the community. Similar to the existing residents, each generation, or year, of new entrants was tracked through the various levels of care until death or move-out. In addition, apartment turnovers due to deaths, transfers, and move-outs of all generations of new entrants were calculated using our population projection system. Our open group projection assumes that the independent living units at Salemtowne will reach and maintain approximately 94.9% occupancy throughout the foreseeable future. We developed population projections based on the expected scenario, which is based on the most likely outcome.

The final step in our actuarial analysis was to develop the present value of the Future Service Obligation. This calculation is presented in Section III. This calculation is necessary in order to comply with Chapter 14 of the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide for Health Care Organizations (the Audit Guide). The Obligation calculation excludes most of the general and administrative expenses and allocates a portion of the depreciation charge based on historical costs to the existing residents.

Salemtowne management supplied Continuing Care Actuaries with revenue and expense information based on their fiscal year 2022 budget. We combined the revenue and expense assumptions with the results of the population projection to develop projected cash in-flows and cash out-flows. We have assumed a constant discount rate of 5.5%. The 3.0% inflation rate and monthly fee increase assumptions were determined to be most appropriate. Exhibit A contains key financial assumptions.

EXHIBIT A
FINANCIAL ASSUMPTIONS

FY 2022 ANNUAL REVENUES

| | |
|--|----------|
| All Contracts | |
| Independent Living Unit - Per Unit – Grandfather Fees | \$34,694 |
| Independent Living Unit - Per Second Resident – Grandfather Fees | 13,220 |
| | |
| Independent Living Unit - Per Unit – 2016-2017 Fees | \$32,829 |
| Independent Living Unit - Per Second Resident – 2016-2017 Fees | 7,159 |
| | |
| Independent Living Unit - Per Unit – 2017-2018 Fees | \$38,008 |
| Independent Living Unit - Per Second Resident – 2017-2018 Fees | 8,296 |
| | |
| Assisted Living Unit - Per Resident | 84,960 |
| Skilled Nursing Facility - Per Patient | 136,238 |

FY 2022 ANNUAL EXPENSES

| | |
|---|--------------|
| Independent Living Unit - Per Unit | \$12,270 |
| Independent Living Unit - Per Resident | 16,231 |
| | |
| Assisted Living Unit - Per Resident | 57,156 |
| Skilled Nursing Facility - Per Patient | 98,813 |
| | |
| Monthly Service Increase Rate | 3.0% |
| Inflation Rate | 3.0% |
| Investment Earnings Rate | 2.0% |
| Discount Rate | 5.5% |
| | |
| Allocable Depreciation | \$32,230,000 |
| | |
| Unamortized Deferred Revenue | \$28,469,000 |
| | |
| Unamortized Costs of Acquiring Initial Continuing-Care Contracts | \$0 |

RESULTS

The Obligation to Provide Future Services to Current Residents calculation consists of sixteen pages. The twenty-second and final page summarizes the actual calculation with the Obligation found on the last line. A positive value represents a liability, while a negative value represents an asset or a surplus.

Pages seven through twelve contain both the open and closed group population projections from the Continuing Care Actuaries population projection system. Each row represents the average number of residents that occupy the facility throughout each fiscal year.

Pages thirteen through fifteen illustrate the revenue and expense assumptions. The revenue summary represents the amount collected per resident or per unit per year. Similarly, the expense summary represents the expense per resident or per unit per year. The interest summary contains the total interest payments and the amount allocated to the closed group of residents.

Pages sixteen through eighteen summarize the projected cash inflows and cash outflows. These values are obtained from the revenue and expense assumptions applied to the closed group population.

Pages nineteen through twenty-one develop the net cash outflows as well as their present value as of March 31, 2021. These pages additionally project each year's facility depreciation charge and the amount allocated to the closed group of residents.

SECTION III

FUTURE SERVICE OBLIGATION CALCULATION

RESIDENT LEVEL OF CARE INFORMATION

| | YEAR | | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> | <u>2027</u> | <u>2028</u> | <u>2029</u> | <u>2030</u> | <u>2031</u> |
| <u>Community Configuration</u> | | | | | | | | | | |
| Independent Living | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 |
| Assisted Living | 52 | 52 | 52 | 52 | 52 | 52 | 52 | 52 | 52 | 52 |
| Health Care Center | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| <u>Total Community Occupancy Projection</u> | | | | | | | | | | |
| Independent Living Residents | 300.8 | 287.6 | 278.1 | 270.1 | 264.0 | 259.2 | 255.6 | 252.9 | 251.1 | 249.9 |
| Total ILU Units Occupied | 211.9 | 211.2 | 211.6 | 211.6 | 211.6 | 211.6 | 211.6 | 211.6 | 211.6 | 211.6 |
| Assisted Living - Permanent | 30.7 | 20.2 | 15.7 | 13.9 | 13.4 | 13.3 | 13.4 | 13.6 | 13.8 | 13.9 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <u>Assisted Living - Direct Admit</u> | <u>18.7</u> | <u>29.2</u> | <u>33.7</u> | <u>35.5</u> | <u>36.0</u> | <u>36.1</u> | <u>36.0</u> | <u>35.8</u> | <u>35.6</u> | <u>35.5</u> |
| Assisted Living - Total | 49.4 | 49.4 | 49.4 | 49.4 | 49.4 | 49.4 | 49.4 | 49.4 | 49.4 | 49.4 |
| Health Care Center - Permanent | 30.5 | 37.0 | 37.6 | 36.6 | 35.8 | 35.4 | 35.4 | 35.7 | 36.0 | 36.2 |
| Health Care Center - Temporary | 7.1 | 6.9 | 6.8 | 6.7 | 6.7 | 6.8 | 6.8 | 6.9 | 6.8 | 6.8 |
| <u>Health Care Center - Direct Admit</u> | <u>55.3</u> | <u>49.0</u> | <u>48.6</u> | <u>49.6</u> | <u>50.5</u> | <u>50.8</u> | <u>50.8</u> | <u>50.5</u> | <u>50.2</u> | <u>49.9</u> |
| Health Care Center - Total | 93.0 | 93.0 | 93.0 | 93.0 | 93.0 | 93.0 | 93.0 | 93.0 | 93.0 | 93.0 |
| Total Residents | 436.1 | 423.1 | 413.7 | 405.8 | 399.6 | 394.8 | 391.1 | 388.5 | 386.7 | 385.5 |
| <u>Closed Group Occupancy Projection</u> | | | | | | | | | | |
| Independent Living Residents | 290.4 | 254.5 | 221.2 | 190.9 | 163.4 | 138.7 | 116.6 | 97.0 | 80.0 | 65.3 |
| Total ILU Units Occupied | 203.8 | 185.3 | 166.7 | 148.5 | 130.8 | 114.1 | 98.4 | 83.8 | 70.6 | 58.7 |
| Assisted Living - Permanent | 30.7 | 19.9 | 14.8 | 12.3 | 10.9 | 9.8 | 8.9 | 8.1 | 7.2 | 6.4 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Health Care Center - Permanent | 30.4 | 36.3 | 35.6 | 33.0 | 30.0 | 27.2 | 24.7 | 22.4 | 20.1 | 17.9 |
| Health Care Center - Temporary | 6.8 | 6.2 | 5.5 | 5.0 | 4.5 | 4.0 | 3.6 | 3.1 | 2.6 | 2.2 |
| Total Residents | 351.5 | 310.6 | 271.7 | 236.1 | 204.2 | 175.7 | 150.2 | 127.5 | 107.3 | 89.5 |

RESIDENT LEVEL OF CARE INFORMATION

| | YEAR | | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2032</u> | <u>2033</u> | <u>2034</u> | <u>2035</u> | <u>2036</u> | <u>2037</u> | <u>2038</u> | <u>2039</u> | <u>2040</u> | <u>2041</u> |
| <u>Community Configuration</u> | | | | | | | | | | |
| Independent Living | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 |
| Assisted Living | 52 | 52 | 52 | 52 | 52 | 52 | 52 | 52 | 52 | 52 |
| Health Care Center | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| <u>Total Community Occupancy Projection</u> | | | | | | | | | | |
| Independent Living Residents | 249.1 | 248.7 | 248.5 | 248.5 | 248.5 | 248.6 | 248.7 | 248.9 | 248.9 | 249.0 |
| Total ILU Units Occupied | 211.6 | 211.6 | 211.6 | 211.6 | 211.6 | 211.6 | 211.6 | 211.6 | 211.6 | 211.6 |
| Assisted Living - Permanent | 14.0 | 14.0 | 14.0 | 14.0 | 13.9 | 13.9 | 13.9 | 13.8 | 13.8 | 13.7 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <u>Assisted Living - Direct Admit</u> | <u>35.4</u> | <u>35.4</u> | <u>35.4</u> | <u>35.4</u> | <u>35.5</u> | <u>35.5</u> | <u>35.5</u> | <u>35.6</u> | <u>35.6</u> | <u>35.7</u> |
| Assisted Living - Total | 49.4 | 49.4 | 49.4 | 49.4 | 49.4 | 49.4 | 49.4 | 49.4 | 49.4 | 49.4 |
| Health Care Center - Permanent | 36.4 | 36.4 | 36.3 | 36.3 | 36.3 | 36.3 | 36.4 | 36.4 | 36.3 | 36.2 |
| Health Care Center - Temporary | 6.9 | 6.9 | 6.9 | 7.0 | 7.0 | 7.0 | 6.9 | 6.9 | 6.9 | 6.9 |
| <u>Health Care Center - Direct Admit</u> | <u>49.8</u> | <u>49.7</u> | <u>49.7</u> | <u>49.8</u> | <u>49.7</u> | <u>49.7</u> | <u>49.7</u> | <u>49.7</u> | <u>49.8</u> | <u>49.9</u> |
| Health Care Center - Total | 93.0 | 93.0 | 93.0 | 93.0 | 93.0 | 93.0 | 93.0 | 93.0 | 93.0 | 93.0 |
| Total Residents | 384.7 | 384.2 | 384.0 | 383.9 | 383.9 | 384.1 | 384.2 | 384.3 | 384.4 | 384.5 |
| <u>Closed Group Occupancy Projection</u> | | | | | | | | | | |
| Independent Living Residents | 52.8 | 42.4 | 33.8 | 26.6 | 20.7 | 16.0 | 12.2 | 9.2 | 6.9 | 5.2 |
| Total ILU Units Occupied | 48.4 | 39.4 | 31.8 | 25.4 | 20.0 | 15.5 | 11.9 | 9.0 | 6.8 | 5.1 |
| Assisted Living - Permanent | 5.5 | 4.7 | 4.0 | 3.3 | 2.7 | 2.2 | 1.7 | 1.3 | 1.0 | 0.7 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Health Care Center - Permanent | 15.6 | 13.4 | 11.4 | 9.5 | 7.9 | 6.6 | 5.4 | 4.4 | 3.5 | 2.7 |
| Health Care Center - Temporary | 1.9 | 1.6 | 1.3 | 1.1 | 0.9 | 0.7 | 0.5 | 0.4 | 0.3 | 0.2 |
| Total Residents | 74.0 | 60.6 | 49.1 | 39.4 | 31.4 | 24.7 | 19.3 | 14.9 | 11.4 | 8.6 |

RESIDENT LEVEL OF CARE INFORMATION

| | YEAR | | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2042</u> | <u>2043</u> | <u>2044</u> | <u>2045</u> | <u>2046</u> | <u>2047</u> | <u>2048</u> | <u>2049</u> | <u>2050</u> | <u>2051</u> |
| <u>Community Configuration</u> | | | | | | | | | | |
| Independent Living | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 |
| Assisted Living | 52 | 52 | 52 | 52 | 52 | 52 | 52 | 52 | 52 | 52 |
| Health Care Center | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| <u>Total Community Occupancy Projection</u> | | | | | | | | | | |
| Independent Living Residents | 249.0 | 249.1 | 249.1 | 249.1 | 249.0 | 249.0 | 249.0 | 249.0 | 249.1 | 249.1 |
| Total ILU Units Occupied | 211.6 | 211.6 | 211.6 | 211.6 | 211.6 | 211.6 | 211.6 | 211.6 | 211.6 | 211.6 |
| Assisted Living - Permanent | 13.6 | 13.6 | 13.6 | 13.6 | 13.6 | 13.6 | 13.6 | 13.6 | 13.6 | 13.6 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <u>Assisted Living - Direct Admit</u> | <u>35.8</u> | <u>35.8</u> | <u>35.8</u> | <u>35.8</u> | <u>35.8</u> | <u>35.8</u> | <u>35.8</u> | <u>35.8</u> | <u>35.8</u> | <u>35.8</u> |
| Assisted Living - Total | 49.4 | 49.4 | 49.4 | 49.4 | 49.4 | 49.4 | 49.4 | 49.4 | 49.4 | 49.4 |
| Health Care Center - Permanent | 36.0 | 35.9 | 35.8 | 35.8 | 35.7 | 35.7 | 35.7 | 35.7 | 35.7 | 35.7 |
| Health Care Center - Temporary | 6.9 | 6.9 | 6.9 | 6.9 | 6.9 | 6.9 | 6.9 | 6.9 | 6.9 | 6.9 |
| <u>Health Care Center - Direct Admit</u> | <u>50.1</u> | <u>50.2</u> | <u>50.3</u> | <u>50.3</u> | <u>50.4</u> | <u>50.4</u> | <u>50.4</u> | <u>50.4</u> | <u>50.4</u> | <u>50.5</u> |
| Health Care Center - Total | 93.0 | 93.0 | 93.0 | 93.0 | 93.0 | 93.0 | 93.0 | 93.0 | 93.0 | 93.0 |
| Total Residents | 384.5 | 384.6 | 384.6 | 384.6 | 384.5 | 384.5 | 384.5 | 384.5 | 384.6 | 384.6 |
| <u>Closed Group Occupancy Projection</u> | | | | | | | | | | |
| Independent Living Residents | 3.9 | 3.0 | 2.3 | 1.9 | 1.6 | 1.4 | 1.2 | 1.1 | 1.1 | 1.0 |
| Total ILU Units Occupied | 3.9 | 3.0 | 2.3 | 1.9 | 1.6 | 1.4 | 1.2 | 1.1 | 1.1 | 1.0 |
| Assisted Living - Permanent | 0.5 | 0.4 | 0.2 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Health Care Center - Permanent | 2.0 | 1.4 | 1.0 | 0.7 | 0.5 | 0.3 | 0.2 | 0.2 | 0.1 | 0.1 |
| Health Care Center - Temporary | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Total Residents | 6.4 | 4.7 | 3.6 | 2.7 | 2.2 | 1.8 | 1.5 | 1.3 | 1.2 | 1.1 |

| | YEAR | | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|------|------|------|------|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
| <u>Closed Group Occupancy Projection - Grandfather</u> | | | | | | | | | | |
| Independent Living Residents | 47.6 | 39.5 | 32.5 | 26.7 | 21.9 | 17.8 | 14.4 | 11.6 | 9.3 | 7.5 |
| Total ILU Units Occupied | 38.7 | 32.6 | 27.3 | 22.7 | 18.9 | 15.6 | 12.9 | 10.6 | 8.6 | 7.0 |
| Assisted Living - Permanent | 17.4 | 9.2 | 5.2 | 3.3 | 2.3 | 1.7 | 1.4 | 1.1 | 0.9 | 0.8 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Health Care Center - Permanent | 16.0 | 15.6 | 12.6 | 9.6 | 7.2 | 5.5 | 4.3 | 3.5 | 2.9 | 2.4 |
| Health Care Center - Temporary | 1.5 | 1.2 | 1.0 | 0.9 | 0.7 | 0.6 | 0.5 | 0.4 | 0.3 | 0.3 |
| Total Residents | 81.0 | 64.3 | 50.4 | 39.6 | 31.3 | 25.0 | 20.1 | 16.3 | 13.1 | 10.6 |
| <u>Closed Group Occupancy Projection - 2016-2017 New Fee Program</u> | | | | | | | | | | |
| Independent Living Residents | 70.3 | 61.3 | 53.0 | 45.5 | 38.7 | 32.5 | 27.0 | 22.2 | 17.9 | 14.3 |
| Total ILU Units Occupied | 51.5 | 46.5 | 41.6 | 36.8 | 32.2 | 27.9 | 23.7 | 19.9 | 16.4 | 13.3 |
| Assisted Living - Permanent | 10.3 | 6.3 | 4.4 | 3.4 | 2.9 | 2.5 | 2.3 | 2.0 | 1.8 | 1.5 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Health Care Center - Permanent | 10.0 | 10.8 | 10.0 | 8.8 | 7.8 | 6.9 | 6.2 | 5.6 | 5.0 | 4.4 |
| Health Care Center - Temporary | 1.7 | 1.5 | 1.4 | 1.2 | 1.1 | 1.0 | 0.9 | 0.7 | 0.6 | 0.5 |
| Total Residents | 90.6 | 78.4 | 67.4 | 57.7 | 49.3 | 42.0 | 35.5 | 29.8 | 24.7 | 20.3 |
| <u>Closed Group Occupancy Projection - 2017-2018 Fee Program</u> | | | | | | | | | | |
| Independent Living Residents | 172.1 | 153.0 | 134.9 | 118.1 | 102.6 | 88.4 | 75.5 | 63.8 | 53.3 | 44.1 |
| Total ILU Units Occupied | 113.3 | 105.5 | 97.1 | 88.3 | 79.4 | 70.5 | 62.0 | 53.8 | 46.1 | 39.0 |
| Assisted Living - Permanent | 3.2 | 4.9 | 5.7 | 6.0 | 5.9 | 5.7 | 5.4 | 5.0 | 4.5 | 4.1 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Health Care Center - Permanent | 4.2 | 9.5 | 12.6 | 14.1 | 14.5 | 14.3 | 13.8 | 13.0 | 12.1 | 11.0 |
| Health Care Center - Temporary | 3.7 | 3.5 | 3.2 | 2.9 | 2.7 | 2.4 | 2.2 | 1.9 | 1.7 | 1.4 |
| Total Residents | 179.6 | 167.4 | 153.3 | 138.2 | 123.1 | 108.4 | 94.6 | 81.7 | 69.9 | 59.2 |

Salemtowne - Future Service Obligation Calculation as of 3/31/2021

| | YEAR | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2032</u> | <u>2033</u> | <u>2034</u> | <u>2035</u> | <u>2036</u> | <u>2037</u> | <u>2038</u> | <u>2039</u> | <u>2040</u> | <u>2041</u> |
| <u>Closed Group Occupancy Projection - Grandfather</u> | | | | | | | | | | |
| Independent Living Residents | 5.9 | 4.6 | 3.6 | 2.8 | 2.1 | 1.5 | 1.1 | 0.8 | 0.6 | 0.4 |
| Total ILU Units Occupied | 5.6 | 4.4 | 3.5 | 2.7 | 2.0 | 1.5 | 1.1 | 0.8 | 0.6 | 0.4 |
| Assisted Living - Permanent | 0.7 | 0.5 | 0.5 | 0.4 | 0.3 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Health Care Center - Permanent | 2.0 | 1.6 | 1.4 | 1.1 | 0.9 | 0.8 | 0.6 | 0.5 | 0.3 | 0.3 |
| Health Care Center - Temporary | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Total Residents | 8.5 | 6.8 | 5.4 | 4.3 | 3.3 | 2.5 | 1.9 | 1.4 | 1.0 | 0.7 |
| <u>Closed Group Occupancy Projection - 2016-2017 New Fee Program</u> | | | | | | | | | | |
| Independent Living Residents | 11.3 | 8.8 | 6.7 | 5.0 | 3.7 | 2.7 | 1.9 | 1.3 | 0.9 | 0.6 |
| Total ILU Units Occupied | 10.6 | 8.4 | 6.5 | 4.9 | 3.6 | 2.7 | 1.9 | 1.3 | 0.9 | 0.6 |
| Assisted Living - Permanent | 1.3 | 1.1 | 0.9 | 0.7 | 0.6 | 0.4 | 0.3 | 0.2 | 0.2 | 0.1 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Health Care Center - Permanent | 3.8 | 3.3 | 2.7 | 2.2 | 1.8 | 1.4 | 1.1 | 0.9 | 0.6 | 0.4 |
| Health Care Center - Temporary | 0.4 | 0.4 | 0.3 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 |
| Total Residents | 16.4 | 13.1 | 10.3 | 8.0 | 6.1 | 4.6 | 3.4 | 2.4 | 1.7 | 1.2 |
| <u>Closed Group Occupancy Projection - 2017-2018 Fee Program</u> | | | | | | | | | | |
| Independent Living Residents | 36.2 | 29.3 | 23.6 | 18.8 | 14.8 | 11.5 | 8.9 | 6.8 | 5.2 | 4.0 |
| Total ILU Units Occupied | 32.6 | 26.9 | 21.9 | 17.7 | 14.1 | 11.1 | 8.6 | 6.6 | 5.1 | 3.9 |
| Assisted Living - Permanent | 3.6 | 3.1 | 2.7 | 2.3 | 1.9 | 1.5 | 1.2 | 0.9 | 0.7 | 0.5 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Health Care Center - Permanent | 10.0 | 8.8 | 7.6 | 6.5 | 5.5 | 4.5 | 3.7 | 3.0 | 2.4 | 1.9 |
| Health Care Center - Temporary | 1.2 | 1.0 | 0.9 | 0.7 | 0.6 | 0.5 | 0.4 | 0.3 | 0.2 | 0.2 |
| Total Residents | 49.7 | 41.3 | 33.9 | 27.5 | 22.1 | 17.5 | 13.8 | 10.8 | 8.3 | 6.4 |

| | YEAR | | | | | | | | | |
|--|------|------|------|------|------|------|------|------|------|------|
| | 2042 | 2043 | 2044 | 2045 | 2046 | 2047 | 2048 | 2049 | 2050 | 2051 |
| <u>Closed Group Occupancy Projection - Grandfather</u> | | | | | | | | | | |
| Independent Living Residents | 0.3 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total ILU Units Occupied | 0.3 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Assisted Living - Permanent | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Health Care Center - Permanent | 0.2 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Health Care Center - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Residents | 0.5 | 0.3 | 0.2 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| <u>Closed Group Occupancy Projection - 2016-2017 New Fee Program</u> | | | | | | | | | | |
| Independent Living Residents | 0.4 | 0.3 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total ILU Units Occupied | 0.4 | 0.3 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Assisted Living - Permanent | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Health Care Center - Permanent | 0.3 | 0.2 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Health Care Center - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Residents | 0.8 | 0.5 | 0.4 | 0.2 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| <u>Closed Group Occupancy Projection - 2017-2018 Fee Program</u> | | | | | | | | | | |
| Independent Living Residents | 3.1 | 2.4 | 1.9 | 1.6 | 1.4 | 1.3 | 1.2 | 1.1 | 1.1 | 1.0 |
| Total ILU Units Occupied | 3.0 | 2.4 | 1.9 | 1.6 | 1.4 | 1.3 | 1.2 | 1.1 | 1.1 | 1.0 |
| Assisted Living - Permanent | 0.4 | 0.3 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Health Care Center - Permanent | 1.4 | 1.0 | 0.7 | 0.5 | 0.4 | 0.3 | 0.2 | 0.1 | 0.1 | 0.1 |
| Health Care Center - Temporary | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Residents | 4.8 | 3.7 | 2.8 | 2.3 | 1.8 | 1.6 | 1.4 | 1.2 | 1.1 | 1.1 |

REVENUE AND EXPENSE ASSUMPTIONS

| REVENUES | YEAR | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> | <u>2027</u> | <u>2028</u> | <u>2029</u> | <u>2030</u> | <u>2031</u> |
| Inflation | | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Independent Living Unit | | | | | | | | | | |
| Annual Fee Per Unit - Grandfather | \$34,694 | \$35,735 | \$36,807 | \$37,911 | \$39,049 | \$40,220 | \$41,427 | \$42,670 | \$43,950 | \$45,268 |
| Annual Fee Per Second Resident - Grandfather | 13,220 | 13,616 | 14,025 | 14,445 | 14,879 | 15,325 | 15,785 | 16,258 | 16,746 | 17,249 |
| Annual Fee Per Unit - 2016-2017 Fees | 32,829 | 33,813 | 34,828 | 35,873 | 36,949 | 38,057 | 39,199 | 40,375 | 41,586 | 42,834 |
| Annual Fee Per Second Resident - 2016-2017 Fees | 7,159 | 7,373 | 7,595 | 7,822 | 8,057 | 8,299 | 8,548 | 8,804 | 9,068 | 9,340 |
| Annual Fee Per Unit - 2017-2018 Fees | 38,008 | 39,148 | 40,323 | 41,532 | 42,778 | 44,062 | 45,384 | 46,745 | 48,148 | 49,592 |
| Annual Fee Per Second Resident - 2017-2018 Fees | 8,296 | 8,545 | 8,801 | 9,065 | 9,337 | 9,617 | 9,906 | 10,203 | 10,509 | 10,824 |
| Per Assisted Living Resident | 84,960 | 87,509 | 90,134 | 92,838 | 95,623 | 98,492 | 101,447 | 104,490 | 107,625 | 110,854 |
| Per Health Care Center Resident | 136,238 | 140,325 | 144,535 | 148,871 | 153,337 | 157,937 | 162,676 | 167,556 | 172,583 | 177,760 |
| Investment Income | | | | | | | | | | |
| Asset Base | \$12,258,563 | \$12,258,563 | \$12,258,563 | \$12,258,563 | \$12,258,563 | \$12,258,563 | \$12,258,563 | \$12,258,563 | \$12,258,563 | \$12,258,563 |
| Earnings Rate | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Investment Income | 245,171 | 245,171 | 245,171 | 245,171 | 245,171 | 245,171 | 245,171 | 245,171 | 245,171 | 245,171 |
| Allocated Other Income | 197,577 | 180,022 | 161,005 | 142,663 | 125,298 | 109,093 | 94,131 | 80,459 | 68,050 | 56,952 |
| EXPENSES | | | | | | | | | | |
| Inflation | | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Independent Living Unit | | | | | | | | | | |
| Per Unit | \$12,770 | \$13,153 | \$13,547 | \$13,954 | \$14,373 | \$14,804 | \$15,248 | \$15,705 | \$16,176 | \$16,662 |
| Per Resident | 16,231 | 16,718 | 17,220 | 17,736 | 18,268 | 18,816 | 19,381 | 19,962 | 20,561 | 21,178 |
| Per Assisted Living Resident | 57,156 | 58,871 | 60,637 | 62,456 | 64,329 | 66,259 | 68,247 | 70,295 | 72,403 | 74,576 |
| Per Health Care Center Resident | 98,813 | 101,777 | 104,830 | 107,975 | 111,215 | 114,551 | 117,988 | 121,527 | 125,173 | 128,928 |
| Interest Expense | | | | | | | | | | |
| Total Interest Expense | \$4,375,894 | \$4,305,957 | \$4,232,694 | \$4,155,857 | \$4,075,444 | \$3,990,957 | \$3,902,644 | \$3,810,363 | \$3,713,538 | \$3,611,563 |
| Allocated Interest Expense | 3,526,421 | 3,161,737 | 2,779,621 | 2,418,254 | 2,082,814 | 1,775,850 | 1,498,374 | 1,250,470 | 1,030,738 | 838,943 |

REVENUE AND EXPENSE ASSUMPTIONS

| REVENUES | YEAR | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | <u>2032</u> | <u>2033</u> | <u>2034</u> | <u>2035</u> | <u>2036</u> | <u>2037</u> | <u>2038</u> | <u>2039</u> | <u>2040</u> | <u>2041</u> |
| Inflation | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Independent Living Unit | | | | | | | | | | |
| Annual Fee Per Unit - Grandfather | \$46,626 | \$48,025 | \$49,466 | \$50,950 | \$52,478 | \$54,053 | \$55,674 | \$57,344 | \$59,065 | \$60,837 |
| Annual Fee Per Second Resident - Grandfather | 17,766 | 18,299 | 18,848 | 19,413 | 19,996 | 20,596 | 21,213 | 21,850 | 22,505 | 23,181 |
| Annual Fee Per Unit - 2016-2017 Fees | 44,119 | 45,442 | 46,806 | 48,210 | 49,656 | 51,146 | 52,680 | 54,261 | 55,888 | 57,565 |
| Annual Fee Per Second Resident - 2016-2017 Fees | 9,621 | 9,909 | 10,206 | 10,513 | 10,828 | 11,153 | 11,487 | 11,832 | 12,187 | 12,553 |
| Annual Fee Per Unit - 2017-2018 Fees | 51,080 | 52,612 | 54,190 | 55,816 | 57,491 | 59,215 | 60,992 | 62,822 | 64,706 | 66,647 |
| Annual Fee Per Second Resident - 2017-2018 Fees | 11,149 | 11,483 | 11,828 | 12,183 | 12,548 | 12,924 | 13,312 | 13,712 | 14,123 | 14,547 |
| Per Assisted Living Resident | 114,179 | 117,605 | 121,133 | 124,767 | 128,510 | 132,365 | 136,336 | 140,426 | 144,639 | 148,978 |
| Per Health Care Center Resident | 183,093 | 188,586 | 194,243 | 200,070 | 206,073 | 212,255 | 218,622 | 225,181 | 231,937 | 238,895 |
| Investment Income | | | | | | | | | | |
| Asset Base | \$12,258,563 | \$12,258,563 | \$12,258,563 | \$12,258,563 | \$12,258,563 | \$12,258,563 | \$12,258,563 | \$12,258,563 | \$12,258,563 | \$12,258,563 |
| Earnings Rate | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Investment Income | 245,171 | 245,171 | 245,171 | 245,171 | 245,171 | 245,171 | 245,171 | 245,171 | 245,171 | 245,171 |
| Allocated Other Income | 47,165 | 38,657 | 31,368 | 25,186 | 20,034 | 15,796 | 12,328 | 9,512 | 7,248 | 5,457 |
| EXPENSES | | | | | | | | | | |
| Inflation | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Independent Living Unit | | | | | | | | | | |
| Per Unit | \$17,162 | \$17,676 | \$18,207 | \$18,753 | \$19,315 | \$19,895 | \$20,492 | \$21,107 | \$21,740 | \$22,392 |
| Per Resident | 21,813 | 22,468 | 23,142 | 23,836 | 24,551 | 25,288 | 26,046 | 26,828 | 27,633 | 28,461 |
| Per Assisted Living Resident | 76,813 | 79,117 | 81,491 | 83,935 | 86,453 | 89,047 | 91,718 | 94,470 | 97,304 | 100,223 |
| Per Health Care Center Resident | 132,796 | 136,780 | 140,883 | 145,110 | 149,463 | 153,947 | 158,565 | 163,322 | 168,222 | 173,269 |
| Interest Expense | | | | | | | | | | |
| Total Interest Expense | \$3,504,569 | \$3,384,344 | \$3,257,969 | \$3,125,144 | \$2,983,019 | \$2,833,594 | \$2,676,356 | \$2,511,044 | \$2,333,425 | \$2,146,513 |
| Allocated Interest Expense | 674,196 | 533,627 | 416,832 | 321,045 | 243,755 | 182,566 | 134,576 | 97,427 | 68,986 | 47,780 |

**REVENUE AND EXPENSE
ASSUMPTIONS**

| REVENUES | YEAR | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | <u>2042</u> | <u>2043</u> | <u>2044</u> | <u>2045</u> | <u>2046</u> | <u>2047</u> | <u>2048</u> | <u>2049</u> | <u>2050</u> | <u>2051</u> |
| Inflation | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| <u>Independent Living Unit</u> | | | | | | | | | | |
| Annual Fee Per Unit - Grandfather | \$62,662 | \$64,542 | \$66,478 | \$68,472 | \$70,526 | \$72,642 | \$74,821 | \$77,066 | \$79,378 | \$81,759 |
| Annual Fee Per Second Resident - Grandfather | 23,876 | 24,592 | 25,330 | 26,090 | 26,873 | 27,679 | 28,509 | 29,364 | 30,245 | 31,153 |
| Annual Fee Per Unit - 2016-2017 Fees | 59,292 | 61,071 | 62,903 | 64,790 | 66,734 | 68,736 | 70,798 | 72,922 | 75,109 | 77,363 |
| Annual Fee Per Second Resident - 2016-2017 Fees | 12,929 | 13,317 | 13,717 | 14,128 | 14,552 | 14,989 | 15,438 | 15,901 | 16,378 | 16,870 |
| Annual Fee Per Unit - 2017-2018 Fees | 68,647 | 70,706 | 72,827 | 75,012 | 77,263 | 79,581 | 81,968 | 84,427 | 86,960 | 89,569 |
| Annual Fee Per Second Resident - 2017-2018 Fees | 14,983 | 15,432 | 15,895 | 16,372 | 16,863 | 17,369 | 17,890 | 18,427 | 18,980 | 19,549 |
| Per Assisted Living Resident | 153,447 | 158,051 | 162,792 | 167,676 | 172,706 | 177,887 | 183,224 | 188,721 | 194,382 | 200,214 |
| Per Health Care Center Resident | 246,061 | 253,443 | 261,047 | 268,878 | 276,944 | 285,253 | 293,810 | 302,625 | 311,703 | 321,054 |
| <u>Investment Income</u> | | | | | | | | | | |
| Asset Base | \$12,258,563 | \$12,258,563 | \$12,258,563 | \$12,258,563 | \$12,258,563 | \$12,258,563 | \$12,258,563 | \$12,258,563 | \$12,258,563 | \$12,258,563 |
| Earnings Rate | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Investment Income | 245,171 | 245,171 | 245,171 | 245,171 | 245,171 | 245,171 | 245,171 | 245,171 | 245,171 | 245,171 |
| Allocated Other Income | 4,070 | 3,027 | 2,276 | 1,751 | 1,387 | 1,135 | 963 | 847 | 770 | 719 |
| EXPENSES | | | | | | | | | | |
| Inflation | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| <u>Independent Living Unit</u> | | | | | | | | | | |
| Per Unit | \$23,064 | \$23,756 | \$24,468 | \$25,202 | \$25,958 | \$26,737 | \$27,539 | \$28,365 | \$29,216 | \$30,093 |
| Per Resident | 29,315 | 30,195 | 31,101 | 32,034 | 32,995 | 33,985 | 35,004 | 36,054 | 37,136 | 38,250 |
| Per Assisted Living Resident | 103,230 | 106,327 | 109,517 | 112,802 | 116,186 | 119,672 | 123,262 | 126,960 | 130,769 | 134,692 |
| Per Health Care Center Resident | 178,467 | 183,821 | 189,335 | 195,015 | 200,866 | 206,892 | 213,099 | 219,492 | 226,076 | 232,859 |
| <u>Interest Expense</u> | | | | | | | | | | |
| Total Interest Expense | \$1,949,750 | \$1,742,369 | \$1,524,100 | \$1,294,138 | \$944,847 | \$797,000 | \$544,250 | \$278,750 | \$278,750 | \$278,750 |
| Allocated Interest Expense | 32,366 | 21,510 | 14,146 | 9,244 | 5,345 | 3,689 | 2,137 | 963 | 875 | 818 |

PROJECTED CASH INFLOWS

| | YEAR | | | | | | | | | |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|--------------------|--------------------|
| | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> | <u>2027</u> | <u>2028</u> | <u>2029</u> | <u>2030</u> | <u>2031</u> |
| Independent Living Units | \$11,242,825 | \$10,079,115 | \$8,978,804 | \$7,946,906 | \$6,985,395 | \$6,093,282 | \$5,269,195 | \$4,513,811 | \$3,828,298 | \$3,214,726 |
| Independent Living Units (Subsidy) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Assisted Living Units | 2,605,388 | 1,741,638 | 1,336,297 | 1,142,109 | 1,037,914 | 966,401 | 903,928 | 842,289 | 777,484 | 708,077 |
| Health Care Center | 5,065,719 | 5,955,946 | 5,950,700 | 5,652,051 | 5,286,287 | 4,931,260 | 4,595,682 | 4,271,625 | 3,927,034 | 3,570,458 |
| Investment Income | 197,577 | 180,022 | 161,005 | 142,663 | 125,298 | 109,093 | 94,131 | 80,459 | 68,050 | 56,952 |
| TOTAL CASH INFLOWS | \$19,111,510 | \$17,956,721 | \$16,426,807 | \$14,883,729 | \$13,434,894 | \$12,100,036 | \$10,862,935 | \$9,708,184 | \$8,600,867 | \$7,550,213 |

PROJECTED CASH OUTFLOWS

| | YEAR | | | | | | | | | |
|----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> | <u>2027</u> | <u>2028</u> | <u>2029</u> | <u>2030</u> | <u>2031</u> |
| Independent Living Units | \$7,316,544 | \$6,691,695 | \$6,067,961 | \$5,457,128 | \$4,865,554 | \$4,297,918 | \$3,759,084 | \$3,253,641 | \$2,785,961 | \$2,360,555 |
| Assisted Living Units | 1,752,747 | 1,171,668 | 898,979 | 768,341 | 698,245 | 650,136 | 608,108 | 566,641 | 523,044 | 476,351 |
| Health Care Center | 3,674,132 | 4,319,808 | 4,316,003 | 4,099,395 | 3,834,109 | 3,576,610 | 3,333,217 | 3,098,181 | 2,848,252 | 2,589,629 |
| Interest Expense | 3,526,421 | 3,161,737 | 2,779,621 | 2,418,254 | 2,082,814 | 1,775,850 | 1,498,374 | 1,250,470 | 1,030,738 | 838,943 |
| TOTAL CASH OUTFLOWS | \$16,269,844 | \$15,344,909 | \$14,062,565 | \$12,743,119 | \$11,480,722 | \$10,300,513 | \$9,198,782 | \$8,168,933 | \$7,187,995 | \$6,265,479 |

PROJECTED CASH INFLOWS

| | YEAR | | | | | | | | | |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>2032</u> | <u>2033</u> | <u>2034</u> | <u>2035</u> | <u>2036</u> | <u>2037</u> | <u>2038</u> | <u>2039</u> | <u>2040</u> | <u>2041</u> |
| Independent Living Units | \$2,673,070 | \$2,200,754 | \$1,793,954 | \$1,446,621 | \$1,152,819 | \$907,964 | \$707,533 | \$546,395 | \$420,134 | \$323,786 |
| Independent Living Units (Subsidy) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Assisted Living Units | 633,652 | 556,872 | 482,444 | 412,259 | 347,555 | 288,972 | 235,895 | 187,969 | 145,186 | 108,481 |
| Health Care Center | 3,205,003 | 2,830,535 | 2,467,334 | 2,124,897 | 1,818,524 | 1,544,331 | 1,300,824 | 1,080,839 | 877,430 | 691,569 |
| Investment Income | 47,165 | 38,657 | 31,368 | 25,186 | 20,034 | 15,796 | 12,328 | 9,512 | 7,248 | 5,457 |
| TOTAL CASH INFLOWS | \$6,558,890 | \$5,626,817 | \$4,775,100 | \$4,008,963 | \$3,338,931 | \$2,757,063 | \$2,256,580 | \$1,824,715 | \$1,449,998 | \$1,129,293 |

PROJECTED CASH OUTFLOWS

| | YEAR | | | | | | | | | |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|
| | <u>2032</u> | <u>2033</u> | <u>2034</u> | <u>2035</u> | <u>2036</u> | <u>2037</u> | <u>2038</u> | <u>2039</u> | <u>2040</u> | <u>2041</u> |
| Independent Living Units | \$1,981,632 | \$1,649,526 | \$1,360,215 | \$1,109,699 | \$894,855 | \$712,797 | \$560,769 | \$436,442 | \$337,621 | \$261,163 |
| Assisted Living Units | 426,283 | 374,629 | 324,559 | 277,343 | 233,814 | 194,403 | 158,696 | 126,454 | 97,672 | 72,979 |
| Health Care Center | 2,324,567 | 2,052,968 | 1,789,541 | 1,541,174 | 1,318,963 | 1,120,093 | 943,479 | 783,925 | 636,394 | 501,590 |
| Interest Expense | 674,196 | 533,627 | 416,832 | 321,045 | 243,755 | 182,566 | 134,576 | 97,427 | 68,986 | 47,780 |
| TOTAL CASH OUTFLOWS | \$5,406,678 | \$4,610,750 | \$3,891,147 | \$3,249,261 | \$2,691,387 | \$2,209,859 | \$1,797,519 | \$1,444,248 | \$1,140,673 | \$883,514 |

PROJECTED CASH INFLOWS

| | YEAR | | | | | | | | | |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | <u>2042</u> | <u>2043</u> | <u>2044</u> | <u>2045</u> | <u>2046</u> | <u>2047</u> | <u>2048</u> | <u>2049</u> | <u>2050</u> | <u>2051</u> |
| Independent Living Units | \$251,612 | \$198,643 | \$160,797 | \$134,549 | \$116,826 | \$105,342 | \$98,389 | \$94,642 | \$93,169 | \$93,256 |
| Independent Living Units (Subsidy) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Assisted Living Units | 78,713 | 55,751 | 38,895 | 26,840 | 18,244 | 12,202 | 8,088 | 5,318 | 3,425 | 2,161 |
| Health Care Center | 527,251 | 390,293 | 286,015 | 210,625 | 155,596 | 115,117 | 85,568 | 63,599 | 47,571 | 36,121 |
| Investment Income | 4,070 | 3,027 | 2,276 | 1,751 | 1,387 | 1,135 | 963 | 847 | 770 | 719 |
| TOTAL CASH INFLOWS | \$861,646 | \$647,714 | \$487,982 | \$373,765 | \$292,052 | \$233,796 | \$193,007 | \$164,406 | \$144,934 | \$132,257 |

PROJECTED CASH OUTFLOWS

| | YEAR | | | | | | | | | |
|----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | <u>2042</u> | <u>2043</u> | <u>2044</u> | <u>2045</u> | <u>2046</u> | <u>2047</u> | <u>2048</u> | <u>2049</u> | <u>2050</u> | <u>2051</u> |
| Independent Living Units | \$203,177 | \$160,206 | \$129,157 | \$107,347 | \$92,470 | \$82,678 | \$76,588 | \$73,180 | \$71,704 | \$71,550 |
| Assisted Living Units | 52,953 | 37,506 | 26,166 | 18,056 | 12,273 | 8,209 | 5,441 | 3,578 | 2,304 | 1,454 |
| Health Care Center | 382,412 | 283,077 | 207,444 | 152,765 | 112,853 | 83,494 | 62,062 | 46,128 | 34,503 | 26,198 |
| Interest Expense | 32,366 | 21,510 | 14,146 | 9,244 | 5,345 | 3,689 | 2,137 | 963 | 875 | 818 |
| TOTAL CASH OUTFLOWS | \$670,908 | \$502,299 | \$376,913 | \$287,412 | \$222,941 | \$178,070 | \$146,228 | \$123,848 | \$109,386 | \$100,020 |

**PRESENT VALUE OF NET
CASH OUTFLOWS (INFLOWS)**

| | YEAR | | | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> | <u>2027</u> | <u>2028</u> | <u>2029</u> | <u>2030</u> | <u>2031</u> |
| Net Cash Outflows (Inflows) | (\$2,841,666) | (\$2,611,812) | (\$2,364,242) | (\$2,140,610) | (\$1,954,172) | (\$1,799,523) | (\$1,664,153) | (\$1,539,251) | (\$1,412,872) | (\$1,284,734) |
| Discount Rate | 0.974 | 0.923 | 0.875 | 0.829 | 0.786 | 0.745 | 0.706 | 0.669 | 0.634 | 0.601 |
| Present Value of Net Cash Outflows (Inflows) | (2,766,602) | (2,410,257) | (2,068,049) | (1,774,818) | (1,535,772) | (1,340,506) | (1,175,039) | (1,030,187) | (896,307) | (772,529) |
| Present Value of Net Cash Outflows | -\$19,109,244 | @ | 5.5% | | | | | | | |

DEPRECIATION COST

| | YEAR | | | | | | | | | |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> | <u>2027</u> | <u>2028</u> | <u>2029</u> | <u>2030</u> | <u>2031</u> |
| Depreciation | \$5,468,548 | \$5,468,548 | \$5,468,548 | \$5,468,548 | \$5,468,548 | \$5,468,548 | \$5,468,548 | \$5,468,548 | \$5,468,548 | \$5,468,548 |
| Allocated Depreciation | 4,406,963 | 4,015,394 | 3,591,210 | 3,182,097 | 2,794,779 | 2,433,332 | 2,099,584 | 1,794,647 | 1,517,862 | 1,270,309 |

| PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS) | YEAR | | | | | | | | | |
|---|---------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2032</u> | <u>2033</u> | <u>2034</u> | <u>2035</u> | <u>2036</u> | <u>2037</u> | <u>2038</u> | <u>2039</u> | <u>2040</u> | <u>2041</u> |
| Net Cash Outflows (Inflows) | (\$1,152,212) | (\$1,016,067) | (\$883,953) | (\$759,703) | (\$647,545) | (\$547,204) | (\$459,061) | (\$380,467) | (\$309,325) | (\$245,779) |
| Discount Rate | 0.570 | 0.540 | 0.512 | 0.485 | 0.460 | 0.436 | 0.413 | 0.392 | 0.371 | 0.352 |
| Present Value of Net Cash Outflows (Inflows) | (656,722) | (548,933) | (452,661) | (368,753) | (297,926) | (238,636) | (189,760) | (149,073) | (114,880) | (86,521) |
| Present Value of Net Cash Outflows | | | | | | | | | | |

| DEPRECIATION COST | YEAR | | | | | | | | | |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2032</u> | <u>2033</u> | <u>2034</u> | <u>2035</u> | <u>2036</u> | <u>2037</u> | <u>2038</u> | <u>2039</u> | <u>2040</u> | <u>2041</u> |
| Depreciation | \$5,468,548 | \$5,468,548 | \$5,468,548 | \$5,468,548 | \$5,468,548 | \$5,468,548 | \$5,468,548 | \$5,468,548 | \$5,468,548 | \$5,468,548 |
| Allocated Depreciation | 1,052,019 | 862,254 | 699,658 | 561,783 | 446,858 | 352,334 | 274,976 | 212,176 | 161,673 | 121,728 |

**PRESENT VALUE OF NET
CASH OUTFLOWS (INFLOWS)**

| | YEAR | | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2042</u> | <u>2043</u> | <u>2044</u> | <u>2045</u> | <u>2046</u> | <u>2047</u> | <u>2048</u> | <u>2049</u> | <u>2050</u> | <u>2051</u> |
| Net Cash Outflows (Inflows) | (\$190,738) | (\$145,416) | (\$111,069) | (\$86,354) | (\$69,111) | (\$55,726) | (\$46,779) | (\$40,558) | (\$35,548) | (\$32,237) |
| Discount Rate | 0.334 | 0.316 | 0.300 | 0.284 | 0.269 | 0.255 | 0.242 | 0.229 | 0.217 | 0.206 |
| Present Value of Net Cash Outflows (Inflows) | (63,645) | (45,992) | (33,298) | (24,538) | (18,615) | (14,227) | (11,320) | (9,303) | (7,729) | (6,644) |
| Present Value of Net Cash Outflows | | | | | | | | | | |

DEPRECIATION COST

| | YEAR | | | | | | | | | |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2042</u> | <u>2043</u> | <u>2044</u> | <u>2045</u> | <u>2046</u> | <u>2047</u> | <u>2048</u> | <u>2049</u> | <u>2050</u> | <u>2051</u> |
| Depreciation | \$5,468,548 | \$5,468,548 | \$5,468,548 | \$5,468,548 | \$5,468,548 | \$5,468,548 | \$5,468,548 | \$5,468,548 | \$5,468,548 | \$5,468,548 |
| Allocated Depreciation | 90,779 | 67,510 | 50,757 | 39,062 | 30,934 | 25,315 | 21,477 | 18,892 | 17,169 | 16,040 |

OBLIGATION TO PROVIDE FUTURE SERVICES AND THE USE OF FACILITIES TO CURRENT RESIDENTS

| | |
|--|---------------|
| Present Value of Net Cash Outflows | -\$19,109,000 |
| Less: | |
| Unamortized deferred revenue at March 31, 2021 | 28,469,000 |
| Plus: | |
| Allocable depreciation | 32,230,000 |
| Unamortized costs of acquiring initial continuing-care contracts | 0 |
| Obligation to provide future services and the use of facilities to current residents | -\$15,348,000 |



Appendix A4

Summary of Calculation of Obligation to Provide Future Service as of
March 31, 2021 (CCRC @ Home Program)



Navigation by Salemtowne

Calculation of the Obligation
To Provide Future Services

HEALTH CARE AUDIT GUIDELINE

As of March 31, 2021

Report Date: JULY 8, 2021

TABLE OF CONTENTS

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| Section II – METHODOLOGY AND ASSUMPTIONS | 3 |
| Section III- FUTURE SERVICE OBLIGATION CALCULATION | 5 |

I. INTRODUCTION & EXECUTIVE SUMMARY

Continuing Care Actuaries, LLC ("Continuing Care Actuaries") was engaged by Navigation by Salemtowne to calculate the Obligation to Provide Future Services and the Use of Facilities to current residents (the "Obligation") as defined by the AICPA Health Care Accounting Guide. This calculation was performed as of March 31, 2021. This report includes an actuarial based financial projection that measures Navigation by Salemtowne's obligation to provide future services to current members.

The population projection uses actual member data to develop future assumptions about demographic characteristics of existing members. In order to calculate the liabilities, we projected existing members through the home and various levels of care until lapse or death. The rates of population movement utilized in these population projections were developed based on a review of Navigation by Salemtowne's member demographic experience for the historical period of September 2014 through March 2021 and the Continuing Care Actuaries' demographic database for at Home members. This information was then aggregated to create reasonable assumptions consistent with Navigation by Salemtowne's operational and administrative practices.

The population assumptions were then used to develop a closed group population projection, which reflects only the activity of the current group of Navigation by Salemtowne's members. A closed group does not have any new members entering the program, so as members die or voluntarily withdrawal, the projected group size declines. Closed group projections can be used to anticipate individual revenues and expenses over the life of the group. The population projections form the basis of the financial projection, which was prepared for the obligation calculation as recommended by the AICPA.

We combined the results of our population projection with projected revenues and projected expenses for Navigation by Salemtowne to develop the net present value of future cash outflows. This value, together with unamortized deferred revenue, unamortized costs of acquiring the initial continuing-care contracts, and allocable depreciation, produces the amount of the Obligation.

Navigation by Salemtowne management representatives provided data regarding resident ages and permanent living location. Assumptions regarding expected mortality and morbidity were derived from actual Navigation by Salemtowne historical data and the Continuing Care Actuaries' at Home database. Financial information regarding revenues and expenses was provided by Navigation by Salemtowne management and consisted of the Navigation by Salemtowne budget for fiscal year 2022. No secondary due diligence was conducted by Continuing Care Actuaries as to the accuracy of these assumptions.

RESULTS

Continuing Care Actuaries has calculated the Obligation for Future Services for Current Residents at Navigation by Salemtowne as of March 31, 2021 to be (\$1,833,005) based on AICPA standards. Since this is a liability calculation, the negative result represents a surplus and means that based on current assumptions regarding future population and financial activity, the present value of Navigation by Salemtowne's current and future resources is adequate to cover future contractual obligations for all current members, as defined by the AICPA in the Health Care Audit Guide. For financial statement purposes, the amount to be booked as an obligation is \$0.

It should be noted that this surplus is based on the assumptions that monthly fees and operating expenses, not including interest expense, depreciation and amortization, will increase 3.0% each year throughout the projection period. The surplus pertains only to the Obligation calculation and does not demonstrate the financial feasibility of the entire community since debt principal repayments, general and administrative expenses and some revenues are not included in the Obligation calculation.

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

Management should scrutinize future developments, which may cause the Obligation liability to increase. These developments include higher program withdrawal rates, higher expense inflation, higher nursing care utilization, and longer life expectancies than assumed in the current projection.

If you have any questions or comments, please contact Brad Paulis or Dave Bond at (410) 833-4220.

Sincerely yours,



Dave Bond, F.S.A., M.A.A.A.
Managing Partner

II. METHODOLOGY AND ASSUMPTIONS

The first step of our actuarial review was to develop the demographic assumptions as input to the population projections. These assumptions, which include mortality rates, morbidity rates, and withdrawal rates, are applied to the current and future member populations in order to track the resident movements through various levels of care until death or withdrawal from the program.

In order to develop these demographic assumptions, we collected historical member information relating to deaths, transfers, and voluntary withdrawals. These events were compiled and applied against the number of life years of the member population in order to develop historical decrement rates.

The second step in our actuarial review was to develop a closed group population projection based on the derived demographic assumptions. Existing members as of March 31, 2021 were projected through the various levels of care until death or withdrawal. Lapses due to deaths and voluntary withdrawals were projected.

The final step in our actuarial analysis was to develop the present values of the Future Service Obligation. This calculation will be presented in Section III. This calculation is necessary in order to comply with the Healthcare Accounting Guide promulgated by the AICPA. The AICPA requires that a program recognize future contract losses. The Obligation calculation excludes most of the general and administrative expenses and allocates a portion of the depreciation charge based on historical costs to the existing residents.

Navigation by Salemtowne management supplied Continuing Care Actuaries with revenue and expense information based on their fiscal year 2022 budget. We combined the revenue and expense assumptions with the results of the population projection to develop expected cash flows. We have assumed a constant discount rate of 5.5%. The 3.0% inflation rate and monthly fee increase assumptions were determined to be most appropriate. Exhibit A contains key financial assumptions.

EXHIBIT A
FINANCIAL ASSUMPTIONS

ANNUAL REVENUES FISCAL YEAR 2022

| | |
|----------------------------|---------|
| Home Per Member | \$8,525 |
| Assisted Living Per Member | 12,152 |
| Skilled Nursing Per Member | 26,874 |
| At Home CoPays Per Member | 430 |

ANNUAL EXPENSES FISCAL YEAR 2022

| | |
|----------------------------|---------|
| Home Per Member | \$2,867 |
| Care Costs Per Member | 2,263 |
| Assisted Living Per Member | 63,919 |
| Skilled Nursing Per Member | 141,352 |

| | |
|-----------------------------------|------|
| Monthly Service Fee Increase Rate | 3.0% |
| Inflation Rate | 3.0% |
| Discount Rate | 5.5% |

| | |
|---------------------------------------|-----------|
| Allocable Depreciation | \$0 |
| Unamortized Initial Acquisition Costs | 0 |
| Deferred Member Fees | 2,044,745 |

III. FUTURE SERVICE OBLIGATION CALCULATION

The Obligation to Provide Future Services to Current Residents calculation consists of ten pages numbered 6 through 15. The last page summarizes the actual calculation with the Obligation found on the last line. A positive value represents a liability, while a negative value represents an asset or a surplus.

Pages six through eight contain both the open and closed group population projections from the Continuing Care Actuaries' population projection system. Each row represents the average number of members that occupy the community throughout each fiscal year.

Pages nine through eleven illustrate the revenue and expense assumptions. The first four lines represent the amount collected per member each year. Similarly, the expense summary represents the expense per member per year. The interest summary contains the total interest payments and the amount allocated to the closed group of members. The bottom section develops the projected cash inflows and cash outflows. These values are obtained from the revenue and expense assumptions applied to the closed group population.

Pages twelve through fourteen develop the net cash outflows as well as their present value as of the Fiscal Year ending March 31. These pages additionally project each year's community depreciation charge and the amount allocated to the closed group of members.

| RESIDENT LEVEL OF CARE INFORMATION | YEAR | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> | <u>2027</u> | <u>2028</u> | <u>2029</u> | <u>2030</u> | <u>2031</u> |
| <u>Total Community Occupancy Projection</u> | | | | | | | | | | |
| At Home Members | 91.3 | 111.1 | 129.5 | 146.6 | 162.4 | 177.0 | 190.3 | 198.3 | 200.0 | 200.0 |
| Total Member Homes | 69.7 | 82.7 | 95.1 | 107.0 | 118.2 | 128.7 | 138.5 | 145.0 | 147.4 | 148.6 |
| Assisted Living - Lifecare | 0.2 | 0.7 | 1.0 | 1.2 | 1.4 | 1.7 | 1.9 | 2.2 | 2.3 | 2.4 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <u>Assisted Living - Direct Admits</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| Assisted Living - Total | 0.2 | 0.7 | 1.0 | 1.2 | 1.4 | 1.7 | 1.9 | 2.2 | 2.3 | 2.4 |
| Health Care Center - Lifecare | 0.0 | 0.2 | 0.4 | 0.7 | 1.0 | 1.4 | 1.7 | 2.0 | 2.2 | 2.5 |
| Health Care Center - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <u>Health Care Center - Direct Admits</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| Health Care Center - Total | 0.0 | 0.2 | 0.4 | 0.7 | 1.0 | 1.4 | 1.7 | 2.0 | 2.2 | 2.5 |
| Total Residents | 91.6 | 112.0 | 130.9 | 148.5 | 164.9 | 180.0 | 193.8 | 202.4 | 204.6 | 204.9 |
| <u>Closed Group Occupancy Projection</u> | | | | | | | | | | |
| At Home Members | 79.5 | 76.0 | 72.1 | 67.9 | 63.6 | 59.2 | 54.8 | 50.4 | 46.0 | 41.7 |
| Total Member Homes | 62.2 | 60.3 | 58.1 | 55.6 | 52.9 | 50.0 | 46.9 | 43.8 | 40.5 | 37.2 |
| Assisted Living - Lifecare | 0.2 | 0.5 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.8 | 0.7 |
| Assisted Living - Lifecare Second Persons | 0.1 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Health Care Center - Lifecare | 0.0 | 0.2 | 0.4 | 0.5 | 0.7 | 0.8 | 0.9 | 0.9 | 0.9 | 0.9 |
| Health Care Center - Lifecare Second Persons | 0.0 | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 |
| Health Care Center - Temporary | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| Total Residents | 79.7 | 76.8 | 73.1 | 69.1 | 65.0 | 60.7 | 56.4 | 52.0 | 47.7 | 43.4 |

Navigation by Salemtowne
Future Service Obligation as of March 31, 2021

| RESIDENT LEVEL OF CARE INFORMATION | YEAR | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2032</u> | <u>2033</u> | <u>2034</u> | <u>2035</u> | <u>2036</u> | <u>2037</u> | <u>2038</u> | <u>2039</u> | <u>2040</u> | <u>2041</u> |
| <u>Total Community Occupancy Projection</u> | | | | | | | | | | |
| At Home Members | 200.0 | 200.0 | 200.0 | 200.0 | 200.0 | 200.0 | 200.0 | 200.0 | 200.0 | 200.0 |
| Total Member Homes | 149.6 | 150.4 | 151.1 | 151.5 | 151.9 | 152.1 | 152.1 | 152.1 | 152.0 | 151.9 |
| Assisted Living - Lifecare | 2.5 | 2.6 | 2.7 | 2.8 | 2.8 | 2.9 | 3.0 | 3.0 | 3.1 | 3.1 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <u>Assisted Living - Direct Admits</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| Assisted Living - Total | 2.5 | 2.6 | 2.7 | 2.8 | 2.8 | 2.9 | 3.0 | 3.0 | 3.1 | 3.1 |
| Health Care Center - Lifecare | 2.8 | 2.9 | 3.0 | 3.2 | 3.2 | 3.3 | 3.3 | 3.3 | 3.3 | 3.2 |
| Health Care Center - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <u>Health Care Center - Direct Admits</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| Health Care Center - Total | 2.8 | 2.9 | 3.0 | 3.2 | 3.2 | 3.3 | 3.3 | 3.3 | 3.3 | 3.2 |
| Total Residents | 205.2 | 205.5 | 205.7 | 205.9 | 206.1 | 206.2 | 206.3 | 206.3 | 206.3 | 206.4 |
| <u>Closed Group Occupancy Projection</u> | | | | | | | | | | |
| At Home Members | 37.6 | 33.6 | 29.9 | 26.3 | 23.0 | 19.9 | 17.1 | 14.6 | 12.3 | 10.3 |
| Total Member Homes | 34.0 | 30.7 | 27.6 | 24.6 | 21.7 | 19.0 | 16.4 | 14.1 | 12.0 | 10.0 |
| Assisted Living - Lifecare | 0.6 | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 | 0.4 | 0.4 | 0.3 | 0.3 |
| Assisted Living - Lifecare Second Persons | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Health Care Center - Lifecare | 0.9 | 0.9 | 0.8 | 0.7 | 0.7 | 0.6 | 0.5 | 0.5 | 0.4 | 0.3 |
| Health Care Center - Lifecare Second Persons | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Health Care Center - Temporary | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| Total Residents | 39.1 | 35.1 | 31.2 | 27.6 | 24.2 | 21.0 | 18.1 | 15.4 | 13.0 | 10.9 |

Navigation by Salemtowne
Future Service Obligation as of March 31, 2021

| RESIDENT LEVEL OF CARE INFORMATION | YEAR | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2042</u> | <u>2043</u> | <u>2044</u> | <u>2045</u> | <u>2046</u> | <u>2047</u> | <u>2048</u> | <u>2049</u> | <u>2050</u> | <u>2051</u> |
| <u>Total Community Occupancy Projection</u> | | | | | | | | | | |
| At Home Members | 200.0 | 200.0 | 200.0 | 200.0 | 200.0 | 200.0 | 200.0 | 200.0 | 200.0 | 200.0 |
| Total Member Homes | 151.7 | 151.5 | 151.2 | 151.0 | 150.9 | 150.7 | 150.6 | 150.5 | 150.4 | 150.4 |
| Assisted Living - Lifecare | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <u>Assisted Living - Direct Admits</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| Assisted Living - Total | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 |
| Health Care Center - Lifecare | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 |
| Health Care Center - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <u>Health Care Center - Direct Admits</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| Health Care Center - Total | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 |
| Total Residents | 206.4 | 206.4 | 206.4 | 206.4 | 206.4 | 206.4 | 206.4 | 206.4 | 206.4 | 206.4 |
| <u>Closed Group Occupancy Projection</u> | | | | | | | | | | |
| At Home Members | 8.5 | 6.9 | 5.6 | 4.5 | 3.5 | 2.8 | 2.1 | 1.6 | 1.2 | 0.9 |
| Total Member Homes | 8.3 | 6.8 | 5.6 | 4.5 | 3.5 | 2.7 | 2.1 | 1.6 | 1.2 | 0.9 |
| Assisted Living - Lifecare | 0.3 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 |
| Assisted Living - Lifecare Second Persons | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Health Care Center - Lifecare | 0.3 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 |
| Health Care Center - Lifecare Second Persons | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Health Care Center - Temporary | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| Total Residents | 9.0 | 7.4 | 6.0 | 4.8 | 3.8 | 3.0 | 2.3 | 1.7 | 1.3 | 1.0 |

REVENUE AND EXPENSE ASSUMPTIONS

| | YEAR | | | | | | | | | |
|--------------------------------------|---------|---------|---------|---------|---------|---------|----------|----------|----------|----------|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
| REVENUES | | | | | | | | | | |
| Inflation | | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Home Per Member | \$8,525 | \$8,781 | \$9,044 | \$9,316 | \$9,595 | \$9,883 | \$10,180 | \$10,485 | \$10,800 | \$11,124 |
| Per Assisted Living Resident | 12,152 | 12,517 | 12,893 | 13,279 | 13,678 | 14,088 | 14,511 | 14,946 | 15,394 | 15,856 |
| Per Health Care Center Resident | 26,874 | 27,681 | 28,511 | 29,366 | 30,247 | 31,155 | 32,089 | 33,052 | 34,044 | 35,065 |
| Home Care Copays Per Member | 430 | 575 | 666 | 715 | 765 | 822 | 885 | 969 | 1,079 | 1,195 |
| <u>Investment & Other Income</u> | | | | | | | | | | |
| Asset Base | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Earnings Rate | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Investment Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Allocated Investment Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Allocated Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

EXPENSES

| | | | | | | | | | | |
|---------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Home Per Member | \$2,867 | \$2,426 | \$2,145 | \$1,951 | \$2,366 | \$2,236 | \$2,143 | \$2,118 | \$2,163 | \$2,228 |
| Care Costs Per Member | 2,263 | 3,022 | 3,501 | 3,761 | 4,025 | 4,325 | 4,654 | 5,099 | 5,676 | 6,283 |
| Per Assisted Living Resident | 63,919 | 65,836 | 67,811 | 69,846 | 71,941 | 74,099 | 76,322 | 78,612 | 80,970 | 83,399 |
| Per Health Care Center Resident | 141,352 | 145,592 | 149,960 | 154,459 | 159,093 | 163,865 | 168,781 | 173,845 | 179,060 | 184,432 |

PROJECTED CASH INFLOWS

| | YEAR | | | | | | | | | |
|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
| Member Homes | \$530,274 | \$529,897 | \$525,360 | \$517,690 | \$507,174 | \$493,823 | \$477,673 | \$458,857 | \$437,602 | \$414,223 |
| Assisted Living | 2,500 | 6,751 | 8,692 | 9,357 | 9,888 | 10,218 | 10,728 | 11,192 | 11,551 | 11,118 |
| Health Care Center | 1,096 | 4,781 | 10,456 | 16,148 | 21,133 | 25,313 | 28,414 | 30,589 | 31,912 | 32,846 |
| Investment Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Home Care CoPays | 34,190 | 43,698 | 47,985 | 48,549 | 48,643 | 48,661 | 48,457 | 48,813 | 49,636 | 49,846 |
| TOTAL CASH INFLOWS | 568,061 | 585,126 | 592,492 | 591,744 | 586,838 | 578,015 | 565,272 | 549,450 | 530,701 | 508,033 |

PROJECTED CASH OUTFLOWS

| | YEAR | | | | | | | | | |
|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
| Member Homes | \$227,877 | \$184,523 | \$154,598 | \$132,479 | \$150,381 | \$132,345 | \$117,340 | \$106,636 | \$99,471 | \$92,945 |
| At Home Care | 179,833 | 229,840 | 252,386 | 255,355 | 255,851 | 255,947 | 254,872 | 256,744 | 261,073 | 262,178 |
| Assisted Living | 13,150 | 35,506 | 45,716 | 49,215 | 52,011 | 53,743 | 56,424 | 58,865 | 60,754 | 58,478 |
| Health Care Center | 5,765 | 25,146 | 54,994 | 84,936 | 111,153 | 133,141 | 149,450 | 160,889 | 167,850 | 172,763 |
| TOTAL CASH OUTFLOWS | 426,626 | 475,015 | 507,695 | 521,985 | 569,396 | 575,177 | 578,087 | 583,134 | 589,149 | 586,364 |

REVENUE AND EXPENSE ASSUMPTIONS

| | YEAR | | | | | | | | | |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2032</u> | <u>2033</u> | <u>2034</u> | <u>2035</u> | <u>2036</u> | <u>2037</u> | <u>2038</u> | <u>2039</u> | <u>2040</u> | <u>2041</u> |
| REVENUES | | | | | | | | | | |
| Inflation | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Home Per Member | \$11,457 | \$11,801 | \$12,155 | \$12,520 | \$12,895 | \$13,282 | \$13,681 | \$14,091 | \$14,514 | \$14,949 |
| Per Assisted Living Resident | 16,332 | 16,822 | 17,326 | 17,846 | 18,382 | 18,933 | 19,501 | 20,086 | 20,689 | 21,309 |
| Per Health Care Center Resident | 36,117 | 37,200 | 38,316 | 39,466 | 40,650 | 41,869 | 43,125 | 44,419 | 45,752 | 47,124 |
| Home Care Copays Per Member | 1,306 | 1,406 | 1,497 | 1,578 | 1,651 | 1,732 | 1,804 | 1,867 | 1,925 | 1,979 |
| <u>Investment & Other Income</u> | | | | | | | | | | |
| Asset Base | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Earnings Rate | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Investment Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Allocated Investment Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Allocated Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

EXPENSES

| | | | | | | | | | | |
|---------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Home Per Member | \$2,294 | \$2,363 | \$2,434 | \$2,507 | \$2,582 | \$2,660 | \$2,740 | \$2,822 | \$2,906 | \$2,994 |
| Care Costs Per Member | 6,872 | 7,397 | 7,872 | 8,302 | 8,685 | 9,108 | 9,486 | 9,820 | 10,125 | 10,407 |
| Per Assisted Living Resident | 85,901 | 88,478 | 91,133 | 93,867 | 96,683 | 99,583 | 102,571 | 105,648 | 108,817 | 112,082 |
| Per Health Care Center Resident | 189,965 | 195,664 | 201,534 | 207,580 | 213,807 | 220,221 | 226,828 | 233,633 | 240,642 | 247,861 |

PROJECTED CASH INFLOWS

| | YEAR | | | | | | | | | |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2032</u> | <u>2033</u> | <u>2034</u> | <u>2035</u> | <u>2036</u> | <u>2037</u> | <u>2038</u> | <u>2039</u> | <u>2040</u> | <u>2041</u> |
| Member Homes | \$389,094 | \$362,629 | \$335,250 | \$307,374 | \$279,403 | \$251,710 | \$224,641 | \$198,514 | \$173,616 | \$150,203 |
| Assisted Living | 10,383 | 10,150 | 9,927 | 9,631 | 9,256 | 8,812 | 8,309 | 7,757 | 7,168 | 6,550 |
| Health Care Center | 33,145 | 31,887 | 30,386 | 29,211 | 27,463 | 25,385 | 23,126 | 20,019 | 17,343 | 15,301 |
| Investment Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Home Care CoPays | 49,111 | 47,288 | 44,684 | 41,525 | 37,978 | 34,532 | 30,918 | 27,261 | 23,711 | 20,355 |
| TOTAL CASH INFLOWS | 481,734 | 451,955 | 420,246 | 387,740 | 354,101 | 320,439 | 286,993 | 253,551 | 221,839 | 192,410 |

PROJECTED CASH OUTFLOWS

| | YEAR | | | | | | | | | |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2032</u> | <u>2033</u> | <u>2034</u> | <u>2035</u> | <u>2036</u> | <u>2037</u> | <u>2038</u> | <u>2039</u> | <u>2040</u> | <u>2041</u> |
| Member Homes | \$86,245 | \$79,457 | \$72,668 | \$65,955 | \$59,392 | \$53,043 | \$46,962 | \$41,201 | \$35,800 | \$30,796 |
| At Home Care | 258,314 | 248,722 | 235,024 | 218,409 | 199,755 | 181,631 | 162,619 | 143,387 | 124,716 | 107,064 |
| Assisted Living | 54,610 | 53,388 | 52,213 | 50,654 | 48,684 | 46,349 | 43,702 | 40,801 | 37,699 | 34,450 |
| Health Care Center | 174,336 | 167,718 | 159,820 | 153,641 | 144,450 | 133,518 | 121,637 | 105,294 | 91,221 | 80,482 |
| TOTAL CASH OUTFLOWS | 573,504 | 549,284 | 519,725 | 488,660 | 452,282 | 414,540 | 374,921 | 330,683 | 289,436 | 252,792 |

REVENUE AND EXPENSE ASSUMPTIONS

| | YEAR | | | | | | | | | |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2042</u> | <u>2043</u> | <u>2044</u> | <u>2045</u> | <u>2046</u> | <u>2047</u> | <u>2048</u> | <u>2049</u> | <u>2050</u> | <u>2051</u> |
| REVENUES | | | | | | | | | | |
| Inflation | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Home Per Member | \$15,398 | \$15,860 | \$16,335 | \$16,825 | \$17,330 | \$17,850 | \$18,386 | \$18,937 | \$19,505 | \$20,090 |
| Per Assisted Living Resident | 21,949 | 22,607 | 23,285 | 23,984 | 24,703 | 25,445 | 26,208 | 26,994 | 27,804 | 28,638 |
| Per Health Care Center Resident | 48,538 | 49,994 | 51,494 | 53,039 | 54,630 | 56,269 | 57,957 | 59,696 | 61,486 | 63,331 |
| Home Care Copays Per Member | 2,029 | 2,075 | 2,120 | 2,162 | 2,204 | 2,246 | 2,287 | 2,330 | 2,374 | 2,419 |
| <u>Investment & Other Income</u> | | | | | | | | | | |
| Asset Base | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Earnings Rate | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Investment Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Allocated Investment Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Allocated Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

EXPENSES

| | | | | | | | | | | |
|---------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Home Per Member | \$3,083 | \$3,176 | \$3,271 | \$3,369 | \$3,470 | \$3,574 | \$3,682 | \$3,792 | \$3,906 | \$4,023 |
| Care Costs Per Member | 10,670 | 10,916 | 11,149 | 11,374 | 11,593 | 11,811 | 12,031 | 12,255 | 12,485 | 12,725 |
| Per Assisted Living Resident | 115,444 | 118,908 | 122,475 | 126,149 | 129,934 | 133,832 | 137,847 | 141,982 | 146,241 | 150,629 |
| Per Health Care Center Resident | 255,297 | 262,956 | 270,845 | 278,970 | 287,339 | 295,959 | 304,838 | 313,983 | 323,403 | 333,105 |

PROJECTED CASH INFLOWS

| | YEAR | | | | | | | | | |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2042</u> | <u>2043</u> | <u>2044</u> | <u>2045</u> | <u>2046</u> | <u>2047</u> | <u>2048</u> | <u>2049</u> | <u>2050</u> | <u>2051</u> |
| Member Homes | \$128,488 | \$108,637 | \$90,758 | \$74,893 | \$61,022 | \$49,072 | \$38,917 | \$30,430 | \$23,451 | \$17,801 |
| Assisted Living | 5,915 | 5,275 | 4,643 | 4,032 | 3,454 | 2,919 | 2,444 | 2,014 | 1,640 | 1,314 |
| Health Care Center | 13,208 | 11,623 | 9,906 | 8,244 | 6,726 | 5,386 | 4,244 | 3,288 | 2,502 | 1,883 |
| Investment Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Home Care CoPays | 17,247 | 14,423 | 11,906 | 9,703 | 7,806 | 6,198 | 4,855 | 3,750 | 2,857 | 2,145 |
| TOTAL CASH INFLOWS | 164,857 | 139,958 | 117,213 | 96,871 | 79,008 | 63,575 | 50,459 | 39,482 | 30,450 | 23,143 |

PROJECTED CASH OUTFLOWS

| | YEAR | | | | | | | | | |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2042</u> | <u>2043</u> | <u>2044</u> | <u>2045</u> | <u>2046</u> | <u>2047</u> | <u>2048</u> | <u>2049</u> | <u>2050</u> | <u>2051</u> |
| Member Homes | \$26,213 | \$22,070 | \$18,373 | \$15,118 | \$12,291 | \$9,866 | \$7,814 | \$6,104 | \$4,701 | \$3,567 |
| At Home Care | 90,712 | 75,860 | 62,624 | 51,035 | 41,058 | 32,602 | 25,535 | 19,726 | 15,027 | 11,282 |
| Assisted Living | 31,112 | 27,746 | 24,421 | 21,206 | 18,165 | 15,352 | 12,853 | 10,592 | 8,626 | 6,911 |
| Health Care Center | 69,469 | 61,133 | 52,101 | 43,360 | 35,378 | 28,329 | 22,320 | 17,293 | 13,162 | 9,906 |
| TOTAL CASH OUTFLOWS | 217,507 | 186,809 | 157,520 | 130,720 | 106,892 | 86,149 | 68,523 | 53,716 | 41,516 | 31,666 |

Navigation by Salemtowne
 Future Service Obligation as of March 31, 2021

| PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS) | YEAR | | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> | <u>2027</u> | <u>2028</u> | <u>2029</u> | <u>2030</u> | <u>2031</u> |
| Net Cash Outflows (Inflows) | (\$141,435) | (\$110,111) | (\$84,797) | (\$69,759) | (\$17,443) | (\$2,839) | \$12,815 | \$33,684 | \$58,447 | \$78,331 |
| Discount Rate 5.50% | 0.974 | 0.923 | 0.875 | 0.829 | 0.786 | 0.745 | 0.706 | 0.669 | 0.634 | 0.601 |
| Present Value of Net Cash Outflows (Inflows) | (137,699) | (101,614) | (74,173) | (57,839) | (13,708) | (2,114) | 9,049 | 22,544 | 37,078 | 47,102 |
| Present Value of Net Cash Outflows | 211,740 | | | | | | | | | |

| DEPRECIATION COST | YEAR | | | | | | | | | |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> | <u>2027</u> | <u>2028</u> | <u>2029</u> | <u>2030</u> | <u>2031</u> |
| Depreciation | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Allocated Depreciation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Navigation by Salemtowne
Future Service Obligation as of March 31, 2021

**PRESENT VALUE OF NET
CASH OUTFLOWS (INFLOWS)**

| | YEAR | | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2032</u> | <u>2033</u> | <u>2034</u> | <u>2035</u> | <u>2036</u> | <u>2037</u> | <u>2038</u> | <u>2039</u> | <u>2040</u> | <u>2041</u> |
| Net Cash Outflows (Inflows) | \$91,770 | \$97,330 | \$99,479 | \$100,920 | \$98,181 | \$94,101 | \$87,927 | \$77,132 | \$67,598 | \$60,382 |
| Discount Rate | 0.570 | 0.540 | 0.512 | 0.485 | 0.460 | 0.436 | 0.413 | 0.392 | 0.371 | 0.352 |
| 5.50% | | | | | | | | | | |
| Present Value of Net Cash Outflows (Inflows) | 52,306 | 52,583 | 50,942 | 48,986 | 45,172 | 41,038 | 36,346 | 30,222 | 25,105 | 21,256 |
| Present Value of Net Cash Outflows | | | | | | | | | | |

DEPRECIATION COST

| | YEAR | | | | | | | | | |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2032</u> | <u>2033</u> | <u>2034</u> | <u>2035</u> | <u>2036</u> | <u>2037</u> | <u>2038</u> | <u>2039</u> | <u>2040</u> | <u>2041</u> |
| Depreciation | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Allocated Depreciation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

**PRESENT VALUE OF NET
 CASH OUTFLOWS (INFLOWS)**

| | YEAR | | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2042</u> | <u>2043</u> | <u>2044</u> | <u>2045</u> | <u>2046</u> | <u>2047</u> | <u>2048</u> | <u>2049</u> | <u>2050</u> | <u>2051</u> |
| Net Cash Outflows (Inflows) | \$52,650 | \$46,851 | \$40,307 | \$33,849 | \$27,884 | \$22,574 | \$18,063 | \$14,234 | \$11,066 | \$8,522 |
| Discount Rate | 0.334 | 0.316 | 0.300 | 0.284 | 0.269 | 0.255 | 0.242 | 0.229 | 0.217 | 0.206 |
| 5.50% | | | | | | | | | | |
| Present Value of Net Cash Outflows (Inflows) | 17,568 | 14,818 | 12,084 | 9,619 | 7,511 | 5,763 | 4,371 | 3,265 | 2,406 | 1,756 |
| Present Value of Net Cash Outflows | | | | | | | | | | |

DEPRECIATION COST

| | YEAR | | | | | | | | | |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2042</u> | <u>2043</u> | <u>2044</u> | <u>2045</u> | <u>2046</u> | <u>2047</u> | <u>2048</u> | <u>2049</u> | <u>2050</u> | <u>2051</u> |
| Depreciation | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Allocated Depreciation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

OBLIGATION TO PROVIDE FUTURE SERVICES AND THE USE OF FACILITIES TO CURRENT RESIDENTS

| | |
|--|-------------|
| Present Value of Net Cash Outflows | \$211,740 |
| Less: | |
| Unamortized deferred revenue at March 31, 2021 | 2,044,745 |
| Plus: | |
| Allocable depreciation | 0 |
| Unamortized costs of acquiring initial continuing-care contracts | 0 |
| Obligation to provide future services and the use of facilities to current residents | (1,833,005) |



Appendix A5

Independent Accountants' Compilation Report as of August 28, 2021 for
the years ending 2022 through 2026.

Moravian Home, Incorporated
(d/b/a Salemtowne)

Compilation of a Financial Forecast

For Each of the Five Years
Ending March 31, 2026

(with Independent Accountants'
Compilation Report thereon)

Moravian Home, Incorporated d/b/a Salemtowne

Compilation of a Financial Forecast

Five Years Ending March 31, 2026

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Trustees
Moravian Home, Incorporated d/b/a Salemtowne
Winston-Salem, North Carolina

Management of Moravian Home, Incorporated d/b/a Salemtowne (the "Corporation") ("Management") is responsible for the accompanying financial forecast of the Corporation, which comprises the forecasted balance sheets as of and for each of the five years ending March 31, 2026 and the related forecasted statements of operations, changes in net assets, and cash flows for each of the years then ending, and the related summaries of significant forecast assumptions and rationale in accordance with guidelines for the presentation of a financial forecast established by the American Institute of Certified Public Accountants ("AICPA").

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

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the financial forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by Management. Accordingly, we do not express an opinion, a conclusion, or provide any form of assurance on this financial forecast. The forecasted results may not be achieved as there will usually be differences between the prospective 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
August 27, 2021

Moravian Home, Incorporated d/b/a Salemtowne

Forecasted Statements of Operations and Changes in Net Assets For the Years Ending March 31, (In Thousands of Dollars)

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|--|------------------|------------------|------------------|------------------|------------------|
| Revenue, gains, and other support: | | | | | |
| Net resident service revenue: | | | | | |
| Independent living revenue | \$ 10,290 | \$ 10,863 | \$ 11,189 | \$ 11,525 | \$ 11,870 |
| Home health, assisted living, memory care, and nursing revenue | 18,245 | 19,133 | 19,707 | 19,969 | 20,228 |
| Amortization of deferred entrance fees | 5,662 | 6,626 | 7,401 | 8,248 | 8,723 |
| Contributions | 248 | 248 | 248 | 248 | 248 |
| Investment income | 670 | 809 | 887 | 1,001 | 1,133 |
| Other support | 58 | 61 | 63 | 64 | 66 |
| Navigation at Home program: | | | | | |
| Amortization of membership fees - Navigation | 166 | 243 | 297 | 352 | 381 |
| Net resident service revenue | 579 | 753 | 936 | 1,130 | 1,445 |
| Other income | 6 | 6 | 6 | 6 | 6 |
| Total revenue, gains, and other support | 35,924 | 38,742 | 40,734 | 42,543 | 44,100 |
| Expenses: | | | | | |
| Program services - provision for housing and related services: | | | | | |
| Healthcare, assisted living and clinic | 11,074 | 11,532 | 11,878 | 12,235 | 12,602 |
| Navigation at Home | 256 | 278 | 286 | 295 | 304 |
| Dining services | 3,437 | 3,540 | 3,646 | 3,756 | 3,869 |
| Housekeeping, grounds, and maintenance | 4,254 | 4,424 | 4,556 | 4,693 | 4,834 |
| Healthcare activities, fitness, events, and volunteer | 653 | 673 | 693 | 714 | 735 |
| Navigation at Home - amortization | 39 | 39 | 39 | 13 | - |
| Incremental costs of acquiring contracts - amortization | 36 | 41 | 47 | 53 | 59 |
| Depreciation | 5,634 | 5,851 | 5,932 | 6,016 | 6,102 |
| Interest expense: | | | | | |
| Series 2015 Bonds | 2,269 | 2,269 | 2,269 | 2,269 | 2,269 |
| Series 2016 Bonds | 835 | 763 | 688 | 610 | 527 |
| Series 2018 Bonds | 1,237 | 1,237 | 1,237 | 1,237 | 1,237 |
| Other Debt Obligations | 6 | 3 | - | - | - |
| Paycheck Protection Program loan interest expense | 3 | - | - | - | - |
| Amortization | (165) | (165) | (165) | (165) | (165) |
| Administration and general | 5,644 | 5,813 | 5,987 | 6,167 | 6,352 |
| Development, community relations, and admissions | 1,758 | 1,808 | 1,859 | 1,912 | 1,966 |
| Total expenses | 36,970 | 38,106 | 38,952 | 39,805 | 40,691 |
| Operating gain (loss) | (1,046) | 636 | 1,782 | 2,738 | 3,409 |
| Non-operating gains: | | | | | |
| Paycheck Protection Program Loan forgiveness | 2,516 | - | - | - | - |
| Change in net assets | 1,470 | 636 | 1,782 | 2,738 | 3,409 |
| Net assets, beginning of year | 9,207 | 10,677 | 11,313 | 13,095 | 15,833 |
| Net assets, end of year | \$ 10,677 | \$ 11,313 | \$ 13,095 | \$ 15,833 | \$ 19,242 |

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

Moravian Home, Incorporated d/b/a Salemtowne

Forecasted Statements of Cash Flows For the Years Ending March 31, (In Thousands of Dollars)

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|--|------------------|------------------|------------------|------------------|------------------|
| Cash flows from operating activities: | | | | | |
| Change in net assets | 1,470 | 636 | 1,782 | 2,738 | 3,409 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | | | | |
| Depreciation | 5,634 | 5,851 | 5,932 | 6,016 | 6,102 |
| Amortization of bond issuance costs | 92 | 92 | 92 | 92 | 92 |
| Amortization of bond premium and discount | (257) | (257) | (257) | (257) | (257) |
| Amortization of deferred development - Navigation | 39 | 39 | 39 | 13 | - |
| Amortization of deferred entrance fees | (5,662) | (6,626) | (7,401) | (8,248) | (8,723) |
| Amortization of membership fees - Navigation | (166) | (243) | (297) | (352) | (381) |
| Incremental costs of acquiring contracts - amortization | 36 | 41 | 47 | 53 | 59 |
| Paycheck Protection Program loan forgiveness | (2,513) | - | - | - | - |
| Accrued interest | (35) | (37) | (38) | (40) | (42) |
| Net changes in: | | | | | |
| Accounts receivable | (25) | (58) | (36) | (31) | (33) |
| Other receivable | (19) | (18) | (11) | (10) | (10) |
| Prepaid expense and other current assets | (91) | (16) | (14) | (14) | (15) |
| Accounts payable | (129) | 41 | 35 | 36 | 37 |
| Accrued expenses | (222) | 54 | 46 | 48 | 49 |
| Entrance Fees received from re-occupancy (non-refundable) | 4,368 | 5,439 | 5,960 | 6,483 | 6,979 |
| Membership fees received - Navigation | 1,279 | 1,317 | 1,357 | 1,397 | 1,439 |
| Membership fees refunded - Navigation | (35) | (35) | (35) | (35) | (35) |
| Net cash provided by operating activities | 3,764 | 6,220 | 7,201 | 7,889 | 8,670 |
| Cash flows from investing activities: | | | | | |
| Purchase of property and equipment | (2,777) | (1,573) | (1,620) | (1,669) | (1,719) |
| Change in Designated for Statutory Operating Reserve | (361) | (245) | (209) | (216) | (222) |
| Commissions paid for contracts obtained | (44) | (60) | (66) | (71) | (77) |
| Net increase in investments | (384) | (2,461) | (3,545) | (4,141) | (4,775) |
| Net cash used in investing activities | (3,566) | (4,339) | (5,440) | (6,097) | (6,793) |
| Cash flows from financing activities: | | | | | |
| Entrance Fees received from re-occupancy (refundable) | - | 547 | 600 | 652 | 703 |
| Entrance Fees received from Initial Entrance Fees | 880 | - | - | - | - |
| Refunds of Entrance Fees | (252) | (768) | (684) | (689) | (738) |
| Principal payment of Line of Credit | (182) | - | - | - | - |
| Principal payments on debt - Other Debt Obligations | (41) | (53) | - | - | - |
| Principal payments on debt - Bond Obligations | (1,460) | (1,530) | (1,605) | (1,680) | (1,765) |
| Net cash used in financing activities | (1,055) | (1,804) | (1,689) | (1,717) | (1,800) |
| Change in cash, cash equivalents, and restricted cash | (857) | 77 | 72 | 75 | 77 |
| Cash, cash equivalents, and restricted cash at beginning of year | 11,905 | 11,048 | 11,125 | 11,197 | 11,272 |
| Cash, cash equivalents, and restricted cash at end of year | \$ 11,048 | \$ 11,125 | \$ 11,197 | \$ 11,272 | \$ 11,349 |
| Reconciliation of cash, cash equivalents, and restricted cash: | | | | | |
| Cash and cash equivalents | \$ 1,114 | \$ 1,155 | \$ 1,190 | \$ 1,226 | \$ 1,262 |
| Assets limited as to use, current | 2,918 | 2,919 | 2,918 | 2,920 | 2,918 |
| Debt Service Reserve Fund - Series 2015 | 2,331 | 2,331 | 2,331 | 2,331 | 2,331 |
| Debt Service Reserve Fund - Series 2016 | 2,272 | 2,272 | 2,272 | 2,272 | 2,272 |
| Debt Service Reserve Fund - Series 2018 | 1,253 | 1,253 | 1,253 | 1,253 | 1,253 |
| Principal Fund | 730 | 765 | 803 | 840 | 883 |
| Resident Deposits | 430 | 430 | 430 | 430 | 430 |
| Cash, cash equivalents, and restricted cash | \$ 11,048 | \$ 11,125 | \$ 11,197 | \$ 11,272 | \$ 11,349 |

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

Moravian Home, Incorporated d/b/a Salemtowne

Forecasted Balance Sheets As of March 31, (In Thousands of Dollars)

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$ 1,114 | \$ 1,155 | \$ 1,190 | \$ 1,226 | \$ 1,262 |
| Assets limited as to use, current | 2,918 | 2,919 | 2,918 | 2,920 | 2,918 |
| Accounts receivable | 1,039 | 1,098 | 1,133 | 1,164 | 1,197 |
| Other receivable | 320 | 338 | 349 | 358 | 368 |
| Prepaid and other current assets | 446 | 462 | 476 | 490 | 505 |
| Total current assets | 5,837 | 5,972 | 6,066 | 6,158 | 6,250 |
| Investments | 13,071 | 15,533 | 19,078 | 23,220 | 27,995 |
| Assets limited as to use: | | | | | |
| Debt Service Reserve Fund - Series 2015 | 2,331 | 2,331 | 2,331 | 2,331 | 2,331 |
| Debt Service Reserve Fund - Series 2016 | 2,272 | 2,272 | 2,272 | 2,272 | 2,272 |
| Debt Service Reserve Fund - Series 2018 | 1,253 | 1,253 | 1,253 | 1,253 | 1,253 |
| Principal Fund | 730 | 765 | 803 | 840 | 883 |
| Designated for Statutory Operating Reserve | 6,763 | 7,008 | 7,217 | 7,433 | 7,655 |
| Resident Deposits | 430 | 430 | 430 | 430 | 430 |
| Total assets limited as to use | 13,779 | 14,059 | 14,306 | 14,559 | 14,824 |
| Property and equipment, gross | 146,605 | 148,178 | 149,798 | 151,467 | 153,186 |
| Less: accumulated depreciation | (48,347) | (54,199) | (60,131) | (66,147) | (72,249) |
| Property and equipment, net | 98,258 | 93,979 | 89,667 | 85,320 | 80,937 |
| Incremental costs of acquiring contracts, net | 401 | 419 | 438 | 456 | 474 |
| Navigation - Development Costs | 91 | 52 | 13 | - | - |
| Assets in split-interest agreements | 899 | 899 | 899 | 899 | 899 |
| Total assets | \$ 132,336 | \$ 130,913 | \$ 130,467 | \$ 130,612 | \$ 131,379 |
| Liabilities and Net Assets | | | | | |
| Current liabilities | | | | | |
| Accounts payable | \$ 1,114 | \$ 1,155 | \$ 1,190 | \$ 1,226 | \$ 1,262 |
| Accrued expenses | 1,486 | 1,540 | 1,587 | 1,634 | 1,683 |
| Accrued interest payable | 2,239 | 2,202 | 2,164 | 2,123 | 2,081 |
| Refundable Entrance Fees | 12 | 12 | 12 | 12 | 12 |
| Current maturities of long-term debt | 1,583 | 1,605 | 1,680 | 1,765 | 1,845 |
| Total current liabilities | 6,434 | 6,514 | 6,633 | 6,760 | 6,883 |
| Long-term liabilities: | | | | | |
| Long-term debt, net of current portion - Series 2015 Bonds | 42,585 | 42,585 | 42,585 | 42,585 | 42,585 |
| Long-term debt, net of current portion - Series 2016 Bonds | 15,275 | 13,670 | 11,990 | 10,225 | 8,380 |
| Long-term debt, net of current portion - Series 2018 Bonds | 24,875 | 24,875 | 24,875 | 24,875 | 24,875 |
| Debt issuance costs | (1,050) | (958) | (866) | (774) | (682) |
| Bond discount and premium | (95) | (355) | (611) | (867) | (1,125) |
| Total long-term debt, net of financing costs | 81,590 | 79,817 | 77,973 | 76,044 | 74,033 |
| Deposits | 430 | 430 | 430 | 430 | 430 |
| Deferred revenue from membership fees - Navigation | 3,135 | 4,174 | 5,199 | 6,209 | 7,232 |
| Deferred revenue from entrance fees | 28,247 | 27,060 | 25,618 | 23,853 | 22,110 |
| Refundable entrance fees | 1,823 | 1,605 | 1,519 | 1,483 | 1,449 |
| Total liabilities | 121,659 | 119,600 | 117,372 | 114,779 | 112,137 |
| Net Assets | | | | | |
| Without donor restrictions | 6,216 | 6,852 | 8,634 | 11,372 | 14,781 |
| With donor restrictions | 4,461 | 4,461 | 4,461 | 4,461 | 4,461 |
| Total net assets | 10,677 | 11,313 | 13,095 | 15,833 | 19,242 |
| Total liabilities and net assets | \$ 132,336 | \$ 130,913 | \$ 130,467 | \$ 130,612 | \$ 131,379 |

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

Moravian Homes, Incorporated d/b/a Salemtowne

Summary of Significant Forecast Assumptions and Rationale

For Each of the Five Years Ending March 31, 2026

Basis of Presentation

The accompanying financial forecast presents, to the best knowledge and belief of management of Moravian Home, Incorporated d/b/a Salemtowne (the “Corporation”) (“Management”), the expected financial position, results of operations, and cash flows of the Corporation as of and for each of the five years ending March 31, 2026. Accordingly, the accompanying forecast reflects Management’s judgment as of August 27, 2021, the date of this report, of the expected conditions and its course of action during the forecast period. However, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Management’s purpose in releasing this financial forecast is for inclusion in the Corporation’s annual disclosure statement in accordance with Chapter 58, Article 64, of the North Carolina General Statutes. Accordingly, this report should not be used for any other purpose. The assumptions disclosed herein are those that Management believes are significant to the prospective financial statements.

The prospective financial statements included in the forecast 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.

Background of the Corporation

The Corporation owns and operates a continuing care retirement community (“CCRC”) known as Salemtowne (the “Community”) in Winston-Salem, North Carolina. The mission of the Community is to promote the well-being of its residents by providing a caring environment. Affiliated with the Moravian Church in America, Southern Province, the Community is an ecumenical community that reflects the Moravian values of individual respect, hospitality, life-long learning, and love of the arts.

The Corporation is exempt from income tax as an entity described in Section 501(c)(3) of the Internal Revenue Code. The business and affairs of the Corporation are directed by a self-perpetuating Board of Trustees (the “Board”) composed of not less than 12 and not more than 18 members. The Board currently meets six times per year and at such other times as the Board may determine necessary. No members of the Board are employees of the Community.

The Community

The Community is situated on approximately 117 acres of land located in northwest Winston-Salem near historic Bethabara, the first Moravian settlement in North Carolina. The Community opened in 1972 and consists of the following residential living units available for occupancy:

- 95 independent living apartments (the “Independent Living Apartments”) and 73 independent living cottages (the “Independent Living Cottages” and, collectively with the Independent Living Apartments, the “Existing Independent Living Units”);
- 56 independent living apartments (the “Woodlands Independent Living Units”);
- 46 licensed assisted living beds, currently configured in 32 units (the “Assisted Living Units”);
- 20 memory support units (the “Memory Support Units”); and,
- A 100-bed nursing care facility (the “Nursing Care Center” and the “Nursing Beds”).

In addition, the Community includes common areas and amenities such as a community center, fitness center, walking trails, art galleries, computer room, dining rooms, beauty/barber shops, gift shop, libraries, game rooms, and an aquatic center with indoor pool.

The Woodlands Independent Living Units opened in April 2020 and became fully occupied in June 2021. The Existing Independent Living Units and the Woodlands Independent Living Units are collectively referred to as the “Independent Living Units”.

The Memory Support Units and the Nursing Beds opened in July 2017. The Assisted Living Units, the Memory Support Units, and the Nursing Care Center are collectively referred to as the “Health Center.” Ten Assisted Living Units, 10 Memory Support Units, and 16 Nursing Beds are sheltered beds and not open for direct admission.

The Community is currently licensed for 46 assisted living beds. In order to meet the needs of assisted living residents desiring more space, Management began joining two adjacent rooms to create larger suites. Suites may accommodate singles, couples, or be reconfigured for two unrelated residents. As of July 2021, the Assisted Living Units were comprised of 18 rooms and 14 larger suites, for a total of 32 units (with 46 licensed beds).

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 effective June 1, 2021.

| Type of Unit | Units | Square Footage | Entrance Fees ⁽¹⁾⁽²⁾⁽³⁾ | Monthly Fees ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ |
|---|------------|----------------|------------------------------------|--------------------------------------|
| Independent Living Apartments ⁽⁶⁾ | | | | |
| <i>Vogler Building/Bahnson Hall</i> | | | | |
| Forsyth (1 bedroom) | 11 | 530 | \$75,700 – 96,300 | \$2,284 |
| Winston A (2 bedroom) | 16 | 790 | \$103,900 – 114,800 | \$2,575 |
| West End (1 bedroom, den & laundry) | 5 | 790 | \$104,000 – 112,800 | \$2,575 |
| Buena Vista (2 bedroom, den & laundry) | 4 | 1,055 | \$144,600 – 156,800 | \$2,876 |
| <i>Driscoll Building Apartments</i> | | | | |
| Reynolda (1 bedroom) | 15 | 751 | \$133,000 – 167,800 | \$2,714 |
| Sherwood (1 bedroom w/den) | 9 | 936 | \$158,700 – 172,100 | \$3,016 |
| Piedmont (2 bedroom) | 21 | 1,073 | \$193,800 – 211,800 | \$3,396 |
| Brookstown (2 bedroom corner) | 4 | 1,107 | \$190,800 – 202,500 | \$3,401 |
| Twin City (2 bedroom w/den) | 10 | 1,240 | \$211,800 – 233,000 | \$3,643 |
| Total Independent Living Apartments | 95 | | | |
| Independent Living Cottages | | | | |
| <i>Wachovia Village</i> | | | | |
| Hatteras (2 bedroom) | 8 | 1,172 | \$170,200 – 179,100 | \$3,082 |
| Emerald (2 bedroom w/den) | 14 | 1,356 | \$204,200 – 225,500 | \$3,213 |
| <i>Salem Village</i> | | | | |
| Bethania (2 bedroom w/den) | 2 | 1,533 | \$272,800 – 286,200 | \$3,525 |
| Hickory (2 bedroom w/sunroom/den) | 10 | 1,560 – 1,755 | \$259,800 – 325,100 | \$3,587 |
| Catawba (2-3 bedroom w/den & sunroom) | 19 | 1,678 – 3,210 | \$279,300 – 426,500 | \$3,778 – 4,467 |
| <i>Bethabara Place</i> | | | | |
| Mitchell (2 bedroom) | 1 | 1,440 | \$282,500 | \$3,585 |
| Shenandoah (2 bedroom w/den) | 4 | 1,617 – 1,698 | \$317,200 – 333,100 | \$3,775 – 3,901 |
| Appalachian (2 bedroom w/sunroom) | 7 | 1,640 – 1,700 | \$312,300 – 333,500 | \$3,837 – 3,908 |
| Rutherford (2 bedroom w/den & sunroom) | 7 | 1,817 – 2,259 | \$346,100 – 442,800 | \$4,152 – 4,798 |
| Watauga (2 bedroom w/den & sunroom) | 1 | 3,200 | \$425,900 | \$4,667 |
| Total Independent Living Cottages | 73 | | | |
| Total Existing Independent Living Units | 168 | | | |

Source: Management

- (1) The Community offers three Entrance Fee plans under the Residency Agreement: a declining refundable Entrance Fee plan (the “Traditional Amortizing Plan”, shown in the table for Entrance Fees and Monthly Fees), a 50% refundable plan (the “50% Refundable Plan”), and a 90% refundable plan (the “90% Refundable Plan”). The number of contracts available for the 50% Refundable Plan and the 90% Refundable Plan are limited and subject to availability.
- (2) Pricing is effective as of June 1, 2021. Second person monthly fees are \$949 for the Existing Independent Living Apartments and \$743 for the Independent Living Cottages.
- (3) Entrance Fees for the 50% Refundable Plan and the 90% Refundable Plan are offered at a 1.65x multiple and 1.80x multiple, respectively, above the Traditional Amortizing Plan pricing. Independent Living Monthly Fees for the 90% Refundable Plan equal the Monthly Fees for the Traditional Amortizing Plan and are discounted by 10 percent for the 50% Refundable Plan.

Notes to Table (continued)

- (4) Single occupancy residents who entered the Community prior to May 1, 2014 pay grandfathered Monthly Fee rates which average \$3,159 for the Existing Independent Living Apartments and \$3,814 for the Independent Living Cottages as of June 1, 2021. Second person occupants pay an additional average fee of \$1,021 in the Existing Independent Living Apartments and \$1,043 in the Independent Living Cottages as of June 1, 2021. Residents of the Existing Independent Living Apartments receive a \$358 meal allowance and Residents in Independent Living Cottages may opt out of the meal allowance plan.
- (5) Single occupancy Residents who entered the Community between May 1, 2014 and May 31, 2017 pay grandfathered Monthly Fee rates that average \$2,662 for the Existing Independent Living Apartments and \$3,843 for the Independent Living Cottages as of June 1, 2021. The second person Monthly Fee averages \$1,517 in the Existing Independent Living Apartments and \$349 in the Independent Living Cottages as of June 1, 2021. Residents of the Existing Independent Living Apartments receive a \$358 meal allowance and Residents in Independent Living Cottages may opt out of the meal allowance plan.
- (6) In addition to the 168 Independent Living Units shown, the Community has two studio apartments which are no longer in service.

The following table summarizes the unit types, approximate square footages, Monthly Fees and Entrance Fees for the Woodlands Independent Living Units:

| Unit Type | Number of Units | Square Footage | Monthly Fees ⁽¹⁾⁽³⁾ | Entrance Fees ⁽¹⁾⁽²⁾⁽⁴⁾ |
|---|------------------------|-----------------------|---------------------------------------|---|
| <u>Woodlands Apartments</u> | | | | |
| Beech (1 Bed w/ Den) | 12 | 1,215 | \$3,540 | \$210,500 |
| Beech (1 Bed w/ Den) - 4 th Floor | 4 | 1,215 | \$3,540 | \$237,300 |
| Dogwood (2 Bed) | 6 | 1,395 | \$3,711 | \$266,300 |
| Dogwood (2 Bed) - 4 th Floor | 2 | 1,395 | \$3,711 | \$305,200 |
| Hawthorne (2 Bed) | 6 | 1,490 | \$3,803 | \$284,100 |
| Hawthorne (2 Bed) - 4 th Floor | 2 | 1,490 | \$3,803 | \$326,400 |
| Pine (2 Bed w/ Den) | 6 | 1,640 | \$3,961 | \$322,000 |
| Pine (2 Bed w/ Den) - 4 th Floor | 2 | 1,640 | \$3,961 | \$377,600 |
| Sycamore (2 Bed w/ Sunroom) | 6 | 1,750 | \$4,120 | \$342,000 |
| Sycamore (2 Bed w/ Sunroom) - 4 th Floor | 2 | 1,750 | \$4,120 | \$399,900 |
| Willow (2 Bed w/ Sunroom) | 6 | 1,875 | \$4,199 | \$377,600 |
| Willow (2 Bed w/ Sunroom) - 4 th Floor | 2 | 1,875 | \$4,199 | \$450,000 |
| Total/Average | 56 | 1,494 | \$3,839 | \$299,025 |

Source: Management

- (1) Monthly Fees and Entrance Fees are as of June 1, 2021. Second person Entrance Fees and Monthly Fees are assumed to be \$10,000 and \$759, respectively, for the Woodlands Independent Living Units.
- (2) Three Entrance Fee plans under the Residency Agreement are available for the Woodlands Independent Living Units: a Traditional Amortizing Plan (shown in the table above), a 50% Refundable Plan, and a 90% refundable plan. The number of contracts available for the 50% Refundable Plan and the 90% Refundable Plan are limited and subject to availability.
- (3) Independent Living Monthly Fees for the 90% Refundable Plan are equal to the Monthly Fees for the Traditional Amortizing Plan and are discounted by 10 percent for the 50% Refundable Plan.
- (4) Entrance Fees for the 50% Refundable Plan and the 90% Refundable Plan are offered at a 1.65x multiple and 1.80x multiple, respectively, above the Traditional Amortizing Plan pricing.

The following table summarizes the type, number, approximate square footage, the Monthly Fees, and daily fees (“Daily Fees”) for the Health Center effective June 1, 2021.

Table 3
Health Center Configuration

| Type of Unit | Units | Beds | Square Footage (room) | Monthly Fees ⁽¹⁾ |
|--|-----------------------------|------------|--------------------------|-------------------------------------|
| Assisted Living Units | | | | |
| Assisted living room | 22 | 22 | 262 | \$5,530 |
| Assisted living suite | 12 | 24 | 524 | \$7,336 ⁽²⁾ |
| Total Assisted Living Beds/Units: | 34 ⁽³⁾⁽⁴⁾ | 46 | | |
| Memory Support Units | | | | |
| Private room | 20 ⁽⁴⁾ | 20 | 270 – 300 | \$9,004 |
| Total Memory Support Units: | 20 | 20 | | |
| Nursing Care Center | | | | Daily Fees ⁽¹⁾⁽⁵⁾ |
| Private room | 100 | 100 | 270 – 300 | \$387 |
| Total Nursing Beds: | 100 | 100 | | |
| Total Health Center | 154 | 166 | | |

Source: Management

- (1) Monthly and Daily Fees shown are for direct admission into the Health Center. Residents on the current fee program who transfer to the Health Center receive a discount of 20% on the Monthly Fee for the Assisted Living Units and Memory Support Units and the Daily Fee for the Nursing Beds.
- (2) Single occupancy rate for an assisted living suite. A couple residing in an assisted living suite would be required to pay two times the assisted living room rate of \$5,530.
- (3) Management has completed combinations of assisted living rooms to create larger suites. As of June 30, 2021, a total of 34 Assisted Living Units (46 licensed beds) are available for occupancy.
- (4) Ten Assisted Living Units and 10 Memory Support Units are sheltered beds and not open to direct admit residents.
- (5) The Monthly Fees shown are for direct admissions. Certain contract residents who transferred from the previously operating nursing beds receive a discount of 20% on the Daily Fee. One hundred (100) Nursing Beds are certified for Medicare and 20 Nursing Beds are also certified for Medicaid. Sixteen Nursing Beds are sheltered beds and not open to direct admit residents.

Navigation at Home Program

The Corporation offers a “Continuing Care Services without Lodging” program (“Navigation at Home”), which is designed to provide an option for seniors to age in their homes and access home and community-based services, as needed. Services provided on a capitated basis may include skilled home health care, homemaker, companion, emergency response system, meals, and adult day care. Members of Navigation at Home (“Members”) have access to many of the amenities of the Community. Members must reside in their own home in the program’s designated service area to participate in Navigation at Home. Four plan options, providing varying coverage levels for program services, are offered to potential Members of Navigation at Home as follows: “All Inclusive”, “Enhanced”, “Classic”, and “Access” (collectively, the “Navigation Payment Plans”). The following table shows the percentage of service cost covered for the Navigation Payment Plans.

Table 4
Navigation Payment Plans

| Service | All Inclusive | Enhanced | Classic | Access |
|-------------------------------------|---------------|----------|---------|--------|
| Percentage of Service Cost Covered | | | | |
| Care Coordination | 100% | 100% | 100% | 100% |
| Home Health Aide | 100% | 85% | 50% | 65% |
| Companion Care | 100% | 85% | 50% | 65% |
| Live-in Companion | 100% | 85% | 50% | 65% |
| Adult Day Care | 100% | 85% | 50% | 65% |
| Delivered Meals | 100% | 100% | 100% | 100% |
| Emergency Response System | 100% | 100% | 100% | 100% |
| Home Inspections | 100% | 100% | 100% | 100% |
| Transportation | 100% | 100% | 100% | 100% |
| Residential or Assisted Living Care | 100% | 70% | 50% | 0% |
| Nursing Home Care | 100% | 70% | 50% | 0% |

Source: Management

Members pay an initial membership fee (the “Membership Fee”) and an ongoing monthly fee (the “Navigation Monthly Fee”), which vary based on the plan option chosen. The table below shows the Membership Fee and Navigation Monthly Fee for the four plan options for singles and couples aged 65, 75, and 85, effective as of June 1, 2021.

Table 5
Navigation at Home Program Pricing

| | <u>All Inclusive</u> | <u>Enhanced</u> | <u>Classic</u> | <u>Access</u> |
|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Age | Single ⁽¹⁾ | Single ⁽¹⁾ | Single ⁽¹⁾ | Single ⁽¹⁾ |
| 65 | \$37,721 | \$30,514 | \$25,006 | \$22,700 |
| 75 | \$61,133 | \$50,028 | \$38,946 | \$33,354 |
| 85 | \$85,809 | \$70,340 | \$53,235 | \$46,192 |
| Monthly Fee | \$633 | \$544 | \$487 | \$424 |

Source: Management

(1) Couples receive a five percent discount on the Membership Fee and the Navigation Monthly Fee

For the purposes of Management’s forecast, 65 percent of Members are assumed to choose the All-Inclusive Plan, 14 percent are assumed to choose the Enhanced Plan, 21 percent are assumed to choose the Classic Plan, and zero percent are assumed to choose the Access Plan.

The assumed utilization of home health and other healthcare-related services have been provided by the Corporation’s actuary, Continuing Care Actuaries, LLC (the “Actuary”), based upon the Actuary’s experience with similar programs.

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. Many state and local governments, including North Carolina, have imposed measures to curtail certain aspects of public life in an effort to contain COVID-19.

Management has activated plans to address risks associated with the impact of COVID-19, including various cost saving measures, including but not limited to significant reductions in discretionary expenses, and an evaluation of available sources of liquidity and other resources. The Corporation’s financial condition, liquidity, and results of operations could be adversely affected from the continuing impact of COVID-19, and such impact could be material.

On March 27, 2020, the federal Coronavirus Aid, Relief, and Economy Security (“CARES Act”) was signed into law, which is intended to provide economic relief and emergency assistance for individuals, families and businesses affected by COVID-19. The Corporation received CARES Act Provider Relief Funds (“PRF”) of approximately \$962,000 during the fiscal year ended March 31, 2021, all of which was recognized as income in that year to the extent the eligibility requirements with the terms and conditions for entitlement to such funding for healthcare related expenses or lost revenues to prevent, prepare for, or respond to COVID-19, have been met. The funds are subject to future audits and potential adjustment and certain amounts may need to be repaid to the government.

The CARES Act also provides for the establishment of the Payroll Protection Program (“PPP”), a new loan program under the Small Business Administration’s 7(a) program providing loans to qualifying businesses. The Corporation received an approximate \$2,513,000 PPP loan from a participating bank. On June 11, 2021, the Small Business Administration approved the application for forgiveness and all outstanding principal and accrued interest was forgiven in fiscal year 2022.

It is difficult to predict the ongoing or long-term impact of COVID-19 on the Corporation, and therefore, the forecast does not reflect additional adjustments as a result of this uncertainty.

Description of the Reservation Agreement and Residency Agreement

To be accepted for admission to the Independent Living Units, a prospective resident must be at least 62 years of age at the time residency is established (in the case of double occupancy, at least one of the persons must be 62 years of age or older), meet health qualifications to live independently at the Community, and exhibit an ability meet their financial obligations as a resident of the selected Independent Living Unit.

Reservation Agreement

To reserve an Independent Living Unit, a prospective resident is required to execute a reservation agreement (the “Reservation Agreement”), provide self-disclosure of his or her finances, and place a deposit equal to 10 percent of the Entrance Fee (the “Entrance Fee Deposit”) on the selected Independent Living Unit (the “Depositor”). The remaining 90 percent of the Entrance Fee is due on or before the occupancy date of the Independent Living Unit (the “Occupancy Date”). The Reservation Agreement reserves the right of the prospective resident to choose the selected Independent Living Unit (the “Residence”) and indicate his or her intent to execute a residence and services agreement (the “Residency Agreement”).

Residency Agreement

The Residency Agreement is a contract under which the Corporation is obligated, upon payment by the resident of an Entrance Fee and ongoing payments of the Monthly Fee, to provide certain services to the resident of an Independent Living Unit (the “Resident”).

Payment of the Entrance Fee and Monthly Fee entitles the Resident to occupy the selected Independent Living Unit and receive the following services and amenities:

- Flexible dining plan (depending on dining allowance option chosen or required);
- Housekeeping service (in certain buildings);
- Bed and bath linen service (in certain buildings);
- All utilities, except telephone and service;
- Basic cable television service and Wi-Fi internet service;
- 24-hour medical emergency call system, and fire protection;
- One unassigned parking space;
- Maintenance of grounds and equipment owned by the Corporation;
- Limited local medical transportation;
- Social, recreational, spiritual, educational, and recreational programs;
- U.S. Mailbox in a central location;
- Use of the common areas; and
- Priority access to the Health Center.

In addition to the services included in the Monthly Fee, certain services are available to Residents at an additional cost including, but not limited to, special transportation, extra meals, dental care, and rehabilitation care.

The Resident is expected to obtain and maintain Medicare Parts A and B (or an equivalent substitute policy approved by the Corporation) and suitable supplemental medical insurance.

Entrance Fee Options

The Corporation offers three Entrance Fee plans under the Residency Agreement. The Entrance Fee options, and related amortization schedules are as follows:

| Entrance Fee Option | Amortization Schedule |
|--|---|
| Traditional Amortizing Plan | The Traditional Amortizing Plan amortizes four percent upon initial occupancy and two percent for each month of occupancy up to 48 months. After 48 months, the Entrance Fee is no longer refundable. |
| 50% Refundable Plan (subject to availability) | The 50% Refundable Plan amortizes four percent upon initial occupancy and two percent for each month of occupancy up to 23 months. Thereafter, 50 percent of the Entrance Fee is refundable. |
| 90% Refundable Plan (subject to availability) | The 90% Refundable Plan amortizes four percent upon initial occupancy and one percent for each month of occupancy up to six months. Thereafter, 90 percent of the Entrance Fee is refundable. |

Source: Management

Entrance Fees are not subject to a refund at the time of the Resident's transfer to the Health Center. Any refund due to the Resident is to be made within 30 days of the date the Resident's Independent Living Unit is reserved by a prospective Resident and such prospective Resident paid the applicable Entrance Fee.

The Traditional Amortizing Plan is the predominant plan sold by the Corporation.

The following table summarizes the Entrance Fee Plans and refund options selected by Residents of the Community and Management's assumed utilization for the forecast.

Table 6
Utilization of Residency Agreement Options

| Plan Type | Residents ⁽¹⁾ | | Management's Forecasted Assumption – Future New Entrants |
|---|--------------------------|------------------|--|
| | Number | Percent of Total | Percent of Total |
| <i>Prior to May 1, 2014</i> | | | |
| Traditional Amortizing Plan | 56 | 16.1% | N/A |
| 50% Refundable Plan | – | 0.0% | N/A |
| 90% Refundable Plan | – | 0.0% | N/A |
| Second persons | 6 | 1.7% | N/A |
| <i>Between May 1, 2014 and May 31, 2017</i> | | | |
| Traditional Amortizing Plan | 74 | 21.2% | N/A |
| 50% Refundable Plan | 1 | 0.3% | N/A |
| 90% Refundable Plan | 5 | 1.4% | N/A |
| Second persons | 27 | 7.7% | N/A |
| <i>June 1, 2017 to current</i> | | | |
| Traditional Amortizing Plan | 121 | 34.7% | 92.0% |
| 50% Refundable Plan | 1 | 0.3% | 4.0% |
| 90% Refundable Plan | – | 0.0% | 4.0% |
| Second persons | 58 | 16.6% | N/A |
| Total | 349 | 100.0% | 100.0% |

Source: Management

N/A – Not Applicable

(1) Includes all Residents at the Community as of July 31, 2021.

Termination by the Resident Prior to Occupancy Date

The Residency Agreement can be terminated at any time prior to assuming occupancy at the Community for any reason by giving written notice to the Corporation. The Corporation would issue any refunds due within 60 days of receiving a written termination letter.

Termination by the Resident After the Occupancy Date

After the Occupancy Date, the Resident may terminate the Residency Agreement by providing 14 days written notification. Upon termination, any refund due to the Resident is to be refunded within 30 days from the date the Residence is reserved by a prospective Resident and such prospective Resident paid the applicable Entrance Fee.

Access to the Health Center

The Community provides accommodations for Residents in the Health Center. Admission to the Health Center is restricted to persons 62 years of age or older, other than admission to the temporary rehabilitation beds, which is restricted to persons 55 years of age or older.

Residents who have paid an Entrance Fee on or after May 1, 2014 and are transferring from the Independent Living Units are to receive the following benefits:

- Priority admission to the Health Center; and
- Twenty percent discount on Monthly Fee/Daily Fee for all private pay stays in the Health Center.

Residents who entered the Community prior to May 1, 2014 receive the following benefits:

- Priority admission to the Health Center;
- Reduced Monthly/Daily Fees for services provided in the Assisted Living Units and Memory Support Units; and
- Twenty-four (24) grace healthcare days each fiscal year in the Nursing Beds (“Grace Days”) at no charge for Residents who have paid an Entrance Fee and have a temporary stay. Unused Grace Days cannot be carried forward into future years. Grace Days are not available to permanent residents of the Assisted Living Units or Nursing Beds.

Direct Admissions to the Health Center

Individuals entering directly into the Health Center (“Direct Admit Residents”) from outside the Community are not required to pay an Entrance Fee. Direct Admit Residents may be admitted to the Health Center for short-term respite or rehabilitation stays if beds are available in excess of those needed to satisfy the needs of Residents. Residents of the Community requiring care in the Health Center will have priority access to the Health Center over Direct Admit Residents.

Assisted Living and Memory Support Services

Residents in the Assisted Living Units and Memory Support Units are to receive the following: three meals daily; meal service to room, if required; dining room assistance; assistance with bathing and grooming; wheelchair assistance; weekly housekeeping; personal laundry service; monitoring of vital signs according to physician’s orders; medication delivery by a nurse or medical technician; 24-hour on duty LPNs and CNAs; nursing assessment; multi-disciplinary care planning; and access to the fitness center.

Nursing Services

Residents in the Nursing Beds are to receive the following: three meals daily; meal service to room, if required; dining room assistance; assistance with bathing and grooming; wheelchair assistance; daily housekeeping; personal laundry service; medication delivery by a nurse; monitoring of vital signs according to physician’s order; nursing assessment; multi-disciplinary care planning; whirlpool tub; 24-hour skilled nursing care by RNs, CNAs, and LPNs; and access to the fitness center.

Membership Agreement – Navigation at Home Program

The Corporation has a Membership Services Agreement (the “Membership Agreement”) for individuals wishing to enroll in the Navigation at Home program. The Corporation shall accept persons at least 62 years of age into the Navigation at Home program who are able to meet the financial and medical obligations as a Member in the program. A prospective Member must complete a “Member Application” and sign a medical release form allowing the Corporation to request the past four years of medical records from the Member prospect’s personal physician. Members are expected to obtain and maintain Medicare Parts A and B (or an equivalent substitute policy approved by the Corporation) and suitable supplemental medical insurance.

In exchange for payment of the Membership Fee, the Navigation Monthly Fee, and the payment of certain co-pays, deductibles, fees, costs, and expenses, depending on the type of plan selected by the Member, the Corporation is to provide the Member the following services and programs:

- Access to the Community, including limited select on-campus amenities and common areas;
- Activities and leisure events including but not limited to: social, recreational, spiritual, educational, and cultural activities, and exercise and health programs;
- Care coordination, including a care plan developed by the care coordination team to meet the Member’s particular needs;
- Home inspection, conducted the first year of membership and every other year thereafter (unless required more frequently), to determine if any functional or safety issues exist which could jeopardize the well-being of the Member;
- Transportation to and from outpatient surgery or medical office procedures if the Member is unable to drive. This does not include transportation for regular physician office visits, dialysis, and routine specialist appointments;
- Referrals for other services such as landscape maintenance, financial planning, and home maintenance. Members pay for these services;
- Lifestyle and wellness programs, such as exercise classes, arts and crafts, and wellness seminars; and
- Other services deemed to be appropriate by the care coordination team such as:
 - Home site services, such as skilled home care, homemaker services, and companion services, if the Member requires assistance with one or more activities of daily living;
 - Emergency response system;
 - Delivery of up to two meals per day for a maximum of one week;
 - Adult day care services;
 - Facility-based assisted living and nursing home services at either the Community or a similar facility approved by the Community. Should the Member move to accommodations other than the Health Center and the cost is higher, the Member would pay the difference between the cost of services at the chosen facility and the current negotiated private pay daily rate for a private room at the Health Center. The Member is to continue to pay the Navigation Monthly Fee.

Other services and programs are available to Members for an additional charge, such as private transportation, catering, and other designated services.

Members who choose to move into an Independent Living Units may cancel their membership and apply their Membership Fee to their Entrance Fee, less an administrative fee of four percent.

If the Membership Agreement is terminated during the first 48 months, the Member, or the Member's estate, is to receive a refund of the Membership Fee, less (1) a four percent administration fee, (2) one percent of the Membership Fee for each month (full or partial without prorating) the Membership Agreement remained in effect, and (3) any additional fees accrued. If the Membership Agreement is terminated after the first 48 months, the Member is due no refund of the Membership Fee. Any refund is due to the Member no later than 120 days after the effective date of termination, unless the Membership Agreement is terminated by the Community, in which case the refund is to be paid within 60 days.

In the case of a Member's financial inability to continue to pay the Navigation Monthly Fee because of reasons beyond the Member's control, the Corporation may choose to subsidize all or part of the Navigation Monthly Fee and other costs so long as this subsidy does not impair the Corporation's ability to attain its objectives while operating on a sound financial basis.

Summary of Significant Accounting Policies

- (a) Basis of Accounting - The Corporation maintains its accounting and financial records according to the accrual basis of accounting.
- (b) Cash and Cash Equivalents - Cash and cash equivalents, excluding those classified as investments and assets whose use is limited, include certain investments in highly liquid instruments, including short-term debt securities and money market funds with original maturities of three months or less when purchased.
- (c) Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. The fair values of investments are determined based upon quoted market prices. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in investment income without donor restrictions and changes in net assets with donor restrictions. Management has not included any unrealized gains or losses on investments within its forecast.
- (d) Assets Limited as to Use - Assets limited as to use by Board designation include amounts set aside for future capital expenditures, debt service obligations, and general reserves. The Board also has set aside an amount to meet the operating reserve requirements of North Carolina General Statute Chapter 58, Article 64. Assets limited as to use under bond indenture agreement consist of the proceeds of borrowing available to pay accrued interest as well as funds set aside for debt service, issuance, and principal fund reserves.

North Carolina General Statute § 58-64-33 requires CCRCs 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 and assisted living unit capacity. The Statutory Operating Reserve shall only be released upon the submittal of a detailed request and must be approved by the Department. This law provides security to residents that the Community is able to meet its contractual obligations to provide continuing care.

- (e) Property and Equipment - Property and equipment is stated at cost less accumulated depreciation. Contributed property is recorded at the estimated fair value at the date of receipt. Depreciation is computed under the straight-line method and is based on estimated useful lives of 40 years for buildings, 8 to 10 years for principal equipment, 5 years for minor equipment, and 5 years for vehicles. The cost of maintenance and repairs is expensed as incurred.
- (f) Costs of Borrowing - Net interest costs incurred on borrowed funds related to a project during the construction period are capitalized as components of the costs of acquiring those assets.

- (g) Deferred Marketing Costs - Management has implemented ASU No. 2014-09 “Revenue from Contracts with Customers” and adjusted the treatment of deferred marketing costs. Previously, all marketing costs incurred by the Corporation in acquiring initial Resident contracts were capitalized and amortized on a straight-line basis over a period of approximately the average life expectancy of the initial Residents. Under the new Standard, only incremental marketing expenditures incurred specifically to obtain the Resident contract can be capitalized. For purposes of the forecast, Management capitalizes incremental costs of acquiring contracts and amortizes such costs over the estimated term of the related contract.
- (h) Deferred Financing Costs and Original Issue Premium/Discount - Costs associated with the issuance of the related financing are assumed to be capitalized and amortized over the expected life of the bonds using the straight-line method, which approximates the effective interest method. Debt issuance costs are netted against the related debt on the forecasted balance sheet and the amortization is included in interest expense on the forecasted statement of operations.
- (i) Obligation to Provide Future Services - The Community enters into continuing care contracts with residents. A continuing care contract is an agreement between a resident and the Community specifying the services and facilities to be provided over the resident’s remaining life. Under each contract, the Corporation has the ability to increase fees as deemed necessary. As of the end of each year, the Corporation calculates the present value of the estimated net cost of future services to be provided to current residents, including the cost of facilities, and compares the amount with the balance of deferred revenue from entrance fees at that date. If the present value of the net cost of future services and use of facilities exceeds the balance of deferred revenue from entrance fees, a liability (obligation to provide future services) is recorded. Management has calculated that the value will not exceed the balance of deferred revenue from entrance fees; therefore, no liability for the obligation to provide future services is required to be recorded for the forecast period.
- (j) Income Taxes - The Community is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying forecasted financial statements do not reflect a provision or liability for federal and state income taxes.
- (k) Deferred Revenue from Entrance Fees - Fees paid by a resident upon entering into a continuing care contract, net of the portion thereof which is refundable to the resident, are recorded as deferred revenue and amortized into net resident services revenue using the straight-line method over the estimated remaining life expectancy of the resident, adjusted on an annual basis.
- (l) Refundable Entrance Fees - Refundable Entrance Fees received are deferred and the refundable portion of the Entrance Fee is maintained as a liability, reflecting the Corporation’s future obligation for repayment.

- (m) Benevolent Assistance - The Community has a policy of providing benevolent assistance to Residents who are unable to pay. Such residents are identified based on financial information obtained from the Resident and subsequent review and analysis. The Community maintains certain net assets with donor restrictions, as well as earnings from net assets with donor restrictions and board designated net assets, to fund the care of such residents. Management has forecasted benevolent assistance based on historical experience at the Community.
- (n) Revenue Recognition - Management has implemented ASU No. 2014-09 “Revenue from Contracts with Customers” and recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance in ASU 2014-09 supersedes the FASB’s prior revenue recognition requirements and most industry-specific guidance. For purposes of the forecast, Management has implemented ASU 2014-09.
- (o) Lease Accounting - The Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-02, Lease Accounting Standard in February 2016. ASU 2016-02 requires all leases with lease terms over twelve months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of operations. The Corporation is currently in the process of evaluating the impact of adoption of this ASU and has not made final determinations. Therefore, for purposes of the forecast ASU 2016-02 has not been implemented by the Corporation.
- (p) Restricted Cash - The Corporation has adopted Accounting Standards Update (ASU) No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This guidance is intended to improve the classification and presentation of changes in restricted cash on the statements of cash flows and will provide more consistent application of GAAP by reducing diversity in practice. The ASU also requires an entity to disclose information about the nature of restricted cash. Management has implemented ASU No. 2016-18.
- (q) Not-for-Profit Accounting - The FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, to improve the presentation of financial statements of not-for-profit entities. The standard addresses key qualitative and quantitative matters including net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. Management has implemented ASU No. 2016-14.

Summary of Revenue and Entrance Fee Assumptions*Independent Living Revenue*

Independent living service revenue is based upon charges for services provided to Residents of the Independent Living Units. Resident service revenue for Independent Living Units is based upon the assumed occupancy and the Monthly Fee of the respective unit. Management assumes that Monthly Fees for the Independent Living Units increase 3.0 percent annually during the forecast period.

Assumed Independent Living Unit Utilization

The Independent Living Apartments and the Independent Living Cottages are assumed to achieve and maintain an overall 95 percent occupancy level during the forecast period. The following table summarizes the forecasted utilization of the Independent Living Apartments and the Independent Living Cottages.

Table 7
Utilization of the Existing Independent Living Units

| Years ended | Independent Living Apartments | | | Independent Living Cottages | | | Total ILU |
|---------------------|-------------------------------|------------------|-------------------|-----------------------------|------------------|-------------------|-------------------|
| | <u>Occupied</u> | <u>Available</u> | <u>% Occupied</u> | <u>Occupied</u> | <u>Available</u> | <u>% Occupied</u> | <u>% Occupied</u> |
| <i>Historical</i> | | | | | | | |
| 2020 | 89.0 | 95.0 | 93.7% | 70.4 | 73.0 | 96.4% | 94.9% |
| 2021 | 90.8 | 94.0 | 96.6% | 70.3 | 73.0 | 96.3% | 96.5% |
| 2022 ⁽¹⁾ | 85.9 | 94.0 | 91.4% | 69.1 | 73.0 | 94.7% | 92.8% |
| <i>Forecasted</i> | | | | | | | |
| 2022 | 89.3 | 94.0 | 95.0% | 69.4 | 73.0 | 95.1% | 95.0% |
| 2023 | 89.3 | 94.0 | 95.0% | 69.4 | 73.0 | 95.1% | 95.0% |
| 2024 | 89.3 | 94.0 | 95.0% | 69.4 | 73.0 | 95.1% | 95.0% |
| 2025 | 89.3 | 94.0 | 95.0% | 69.4 | 73.0 | 95.1% | 95.0% |
| 2026 | 89.3 | 94.0 | 95.0% | 69.4 | 73.0 | 95.1% | 95.0% |

Source: Management

(1) Year to date occupancy is for the four months through July 31, 2021.

The Woodlands Independent Living Units are assumed to achieve and maintain 93.4 percent occupancy by July 2021 and remain at that level throughout the remainder of the forecast. The following table summarizes the forecasted utilization of the Woodlands Independent Living Units.

Table 8
Utilization of Woodlands Independent Living Units

| Years Ending March 31, | Average Number of Units Occupied | Average Number of Units Available | Average Occupancy Percentage |
|---------------------------|-------------------------------------|--------------------------------------|------------------------------|
| <i>Historical</i> | | | |
| 2020 ⁽¹⁾ | 6.2 | 28.0 | 22.1% |
| 2021 ⁽²⁾ | 37.7 | 56.0 | 67.4% |
| 2022 ⁽²⁾⁽³⁾ | 53.5 | 56.0 | 95.5% |
| <i>Forecasted</i> | | | |
| 2022 | 52.0 | 56.0 | 92.9% |
| 2023 | 52.3 | 56.0 | 93.4% |
| 2024 | 52.3 | 56.0 | 93.4% |
| 2025 | 52.3 | 56.0 | 93.4% |
| 2026 | 52.3 | 56.0 | 93.4% |

Source: Management

(1) 28 of the Woodlands Independent Living Units became available for occupancy in March 2020.

(2) The remaining Woodlands Independent Living Units became available for occupancy in April 2020 and reached stable occupancy in June 2021.

(3) Year to date occupancy is for the four months through July 31, 2021.

The assumed number of Independent Living Units becoming available due to resident turnover, the double occupancy rate, the number of annual resident Entrance Fee refunds, and the movement of Residents into the Health Center are provided by the Actuary.

The double occupancy rate for the Existing Independent Living Units is assumed to approximate 37 percent in 2022 and throughout the forecast period, and the double occupancy rate for the Woodlands Independent Living Units is assumed to approximate 69 percent in 2022 and throughout the forecast period.

Entrance Fee and Membership Fee Receipts and Refunds

The assumed turnover for the Independent Living Units due to death, withdrawal, or transfer to assisted living, memory support, or nursing accommodations, and double occupancy of the Independent Living Units has been provided by the Actuary. 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 Units turning over without a corresponding refund because the Resident has not withdrawn from the Community but has permanently transferred to the Health Center. The assumed number and amount of refunds for the Independent Living Units is provided by the Actuary. The following table presents the assumed Entrance Fees and Membership Fees received and Entrance Fees and Membership Fees refunded.

Table 9
Entrance Fee and Membership Fee Receipts and Refunds
(In Thousands)

| Fiscal Year Ending March 31, | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| <i>Fees Received</i> | | | | | |
| <i><u>Membership Fees for Navigation at Home ⁽¹⁾</u></i> | | | | | |
| Number of Membership Fees received | 24.1 | 24.1 | 24.1 | 24.1 | 24.1 |
| Membership Fees received | \$1,279 | \$1,317 | \$1,357 | \$1,397 | \$1,439 |
| <i><u>Independent Living Unit Entrance Fees Initial:</u></i> | | | | | |
| Number of Entrance Fees received | 3.0 | - | - | - | - |
| Entrance Fees received | \$880 | - | - | - | - |
| <i><u>Turnover:</u></i> | | | | | |
| Number of Entrance Fees received | 20.2 | 23.4 | 24.8 | 26.0 | 27.1 |
| Entrance Fees received | \$4,368 | \$5,986 | \$6,560 | \$7,135 | \$7,682 |
| Total Fees Received | \$6,527 | \$7,303 | \$7,917 | \$8,532 | \$9,121 |
| <i>Fees Refunded</i> | | | | | |
| Membership Fee Refunds | (35) | (35) | (35) | (35) | (35) |
| CCRC Entrance Fee Refunds | (252) | (768) | (684) | (689) | (738) |
| Total Fees Refunded | \$ (287) | \$ (803) | \$ (719) | \$ (724) | \$ (773) |
| Total Entrance Fees and Membership Fees Received, Net of Refunds | \$6,240 | \$6,500 | \$7,198 | \$7,808 | \$8,348 |

Source: Management and the Actuary

(1) The Navigation at Home Membership Fee includes first and second person entrance fees received.

Entrance Fees for the Independent Living Units and Membership Fees for the Navigation at Home program are assumed to increase 3.5 percent and 3.0 percent annually, respectively during the forecast period.

Assisted Living and Memory Support Revenue

Assisted Living Units and Memory Support Units fees are assumed to be generated from services provided to Residents transferring from the Independent Living Units as well as direct admissions from the local surrounding area.

Residents permanently transferring from the Independent Living Units to the Assisted Living Units and Memory Support Units are to pay the rate based on the Health Care Benefit stated in the Residency Agreement. Management assumes the Monthly Fees for the Assisted Living Units and Memory Support Units inflate 3.0 percent annually during the forecast period. The following table summarizes the historical and forecasted utilization of the Assisted Living Units and Memory Support Units.

Table 10
Utilization of Assisted Living Units and Memory Support Units

| Year Ending March 31, | Assisted Living Units | | | Memory Support Units | | |
|--------------------------|------------------------------|-------------------------------|----------------------|------------------------------|-------------------------------|----------------------|
| | Average Units Occupied | Average Units Available | Average Occupancy | Average Units Occupied | Average Units Available | Average Occupancy |
| <i>Historical</i> | | | | | | |
| 2020 ⁽¹⁾ | 30.4 | 35.0 | 86.9% | 19.9 | 20.0 | 99.5% |
| 2021 ⁽²⁾ | 30.8 | 34.0 | 90.6% | 18.4 | 20.0 | 91.9% |
| 2022 ⁽³⁾⁽⁴⁾ | 30.2 | 32.0 | 94.4% | 19.3 | 20.0 | 96.5% |
| <i>Forecasted</i> | | | | | | |
| 2022 ⁽⁴⁾ | 30.4 | 32.0 | 95.0% | 19.0 | 20.0 | 95.0% |
| 2023 | 30.4 | 32.0 | 95.0% | 19.0 | 20.0 | 95.0% |
| 2024 | 30.4 | 32.0 | 95.0% | 19.0 | 20.0 | 95.0% |
| 2025 | 30.4 | 32.0 | 95.0% | 19.0 | 20.0 | 95.0% |
| 2026 | 30.4 | 32.0 | 95.0% | 19.0 | 20.0 | 95.0% |

Source: Management

- (1) During fiscal year 2020, the Assisted Living Units were reconfigured to 24 rooms and 11 larger suites, for a total of 35 units (with 46 licensed beds).
- (2) During fiscal year 2021, the Assisted Living Units were reconfigured to 22 rooms and 12 larger suites, for a total of 34 units (with 46 licensed beds).
- (3) Year to date occupancy is for the four months through July 31, 2021.
- (4) Management anticipates the Assisted Living Units will be further reconfigured during fiscal year 2022 to 18 rooms and 14 larger suites, for a total of 32 units (with 46 licensed beds).

Nursing Revenue

Skilled nursing revenue is based upon charges for services provided to Residents transferring from the Independent Living Units, Assisted Living Units, and Memory Support Units. Management assumes that the Daily Fees increase 3.00 percent annually throughout the forecast period. The following table summarizes the average historical and assumed utilization of the Nursing Beds.

Table 11
Nursing Bed Utilization

| Year Ending March 31, | Average Private Residents | Average Medicaid Residents | Average Medicare & Insurance Residents | Average Nursing Beds Occupied | Average Nursing Beds Available | Average Occupancy Percentage |
|--------------------------|---------------------------------|----------------------------------|---|-------------------------------------|--------------------------------------|------------------------------------|
| <i>Historical</i> | | | | | | |
| 2020 | 49.3 | 6.1 | 37.4 | 92.9 | 100.0 | 92.9% |
| 2021 | 46.9 | 6.2 | 24.8 | 77.9 | 100.0 | 77.9% |
| 2022 ⁽¹⁾ | 47.0 | 5.7 | 26.7 | 79.4 | 100.0 | 79.4% |
| <i>Forecasted</i> | | | | | | |
| 2022 | 48.0 | 9.0 | 35.8 | 92.8 | 100.0 | 92.8% |
| 2023 | 48.0 | 9.0 | 35.8 | 92.8 | 100.0 | 92.8% |
| 2024 | 48.0 | 9.0 | 35.8 | 92.8 | 100.0 | 92.8% |
| 2025 | 48.0 | 9.0 | 35.8 | 92.8 | 100.0 | 92.8% |
| 2026 | 48.0 | 9.0 | 35.8 | 92.8 | 100.0 | 92.8% |

Source: Management

(1) Year to date occupancy is for the four months through July 31, 2021

Navigation at Home Program

Management began accepting Members into the Navigation at Home program in fiscal year 2015. As of June 30, 2021, there were 89 members in the Navigation at Home program. Management assumes an additional 24 Members annually during the forecast period.

Coronavirus Aid, Relief, and Economy Security Act

Under provision of the CARES Act, the Corporation received approximately \$962,000 in fiscal year 2021 in Public Health and Social Services Emergency Fund stimulus payments, as a provider of Medicare reimbursed nursing services, to reimburse the Corporation for healthcare related expenses and lost revenue that are attributable to COVID-19. Management recognized all these payments as other income during the fiscal year ending March 31, 2021.

Investment Income

During the forecast period, Management assumes an average annual rate of return of 3.0 percent on the Corporation's cash, investments, board designated funds and operating reserve accounts; 1.25 percent on the proceeds of the Series 2015 Bonds deposited in the Debt Service Reserve Fund; 1.25 percent on the proceeds of the Series 2016 Bonds deposited in the Debt Service Reserve Fund; and 2.50 percent on the proceeds of the Series 2018 Bonds deposited in the Debt Service Reserve Fund.

Other Income

Other income consists of revenues from additional resident meals and snacks, guest meals, guest apartment rentals, barber and beauty fees, and other miscellaneous sources. These revenues are forecasted by Management to increase 3.0 percent annually throughout the forecast period.

Summary of Expense Assumptions

Operating expenses are estimated by Management based upon the historical experience of the Corporation. Staff salaries and wages are forecasted by Management based on its historical experience and prevailing local salary and wage rates. Salary and wage costs are assumed to increase 3.0 percent annually throughout the forecast period. The cost of employee fringe benefits, consisting primarily of payroll taxes, health insurance and other costs are assumed to approximate 25.9 percent of salaries and wages throughout the forecast.

The following table summarizes the staffing levels during the forecast period for all departments.

Table 12
Schedule of Staffing Levels (FTE's)

| Department | Staffing 2022 | Staffing 2026 |
|----------------------------------|--------------------------|--------------------------|
| Administrative | 40.0 | 40.0 |
| Assisted living & memory support | 21.5 | 24.7 |
| Healthcare | 110.8 | 110.8 |
| Dining service | 61.3 | 61.3 |
| Housekeeping and laundry | 31.8 | 32.0 |
| Maintenance | 9.8 | 10.0 |
| Activities | 6.0 | 6.0 |
| Marketing | 8.7 | 8.7 |
| Other | 22.5 | 22.5 |
| Total FTE's | 312.4 | 316.0 |

Source: Management

Other non-salary operating expenses are assumed to include ongoing marketing costs, raw food costs, utilities, supplies, maintenance, building and general liability insurance, legal and accounting fees, and other miscellaneous expenses. The cost of these non-salary operating expenses is assumed by Management to increase 3.0 percent annually throughout the forecast period.

Assets Limited as to Use

The following funds and accounts are assumed to be held in association with the Series 2015 Bonds, the Series 2016 Bonds, and the Series 2018 Bonds:

- Assets Limited as to Use, current: Contains the bond principal and interest payments to be used for payment of debt service on the Series 2015 Bonds, the Series 2016 Bonds, and the Series 2018 Bonds.
- Debt Service Reserve Fund – Series 2015: Funded by proceeds received from the Series 2015 Bonds.
- Debt Service Reserve Fund – Series 2016: Funded by proceeds received upon closing of the Series 2016A Bonds.
- Debt Service Reserve Fund – Series 2018: Funded by proceeds received upon closing of the Series 2018 Bonds.

In addition, the Corporation maintains the following funds and accounts based on restrictions of the Board, outside donors, or other legal or regulatory requirements and include the following:

- Designated for Statutory Operating Reserve: 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 and assisted living unit capacity.

The following summarizes the calculation of the Statutory Operating Reserve:

| (in Thousands) | 2022 | 2023 | 2024 | 2025 | 2026 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Forecasted operating expense | \$ 36,970 | \$ 38,106 | \$ 38,952 | \$ 39,805 | \$ 40,691 |
| Add: Principal payments on debt–bond obligations | 1,460 | 1,530 | 1,605 | 1,680 | 1,765 |
| Subtract: Depreciation and amortization | (5,544) | (5,766) | (5,853) | (5,917) | (5,996) |
| Subtract: Debt service accounted for by way of another reserve | (5,836) | (5,837) | (5,838) | (5,836) | (5,840) |
| Forecasted operating expenses-adjusted | 27,050 | 28,033 | 28,866 | 29,732 | 30,620 |
| Operating reserve % required | 25% | 25% | 25% | 25% | 25% |
| Operating reserve (rounded) | \$ 6,763 | \$ 7,008 | \$ 7,217 | \$ 7,433 | \$ 7,655 |
| Independent Living & Assisted Living Units | | | | | |
| Available units | 275 | 275 | 275 | 275 | 275 |
| Occupied units as of last day of the year | 260 | 260 | 260 | 260 | 260 |
| Occupancy percentage | 95% | 95% | 95% | 95% | 95% |

Source: Management

- Resident Deposits: Deposits for Independent Living Units to be occupied in the future are held in this fund.

Property and Equipment and Depreciation Expense

The Corporation is assumed to incur routine capital additions during the forecast period to be capitalized as property and equipment. Depreciation expense is computed based on the straight-line method for buildings and equipment over the estimated average useful lives of the related assets.

The Corporation's property and equipment costs, net of accumulated depreciation, during the forecast period are summarized in the table below.

Table 13
Schedule of Property and Equipment
(In Thousands)

| Years Ending March 31, | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|-----------|-----------|-----------|-----------|-----------|
| Property and equipment, net beginning balance | \$143,828 | \$146,605 | \$148,178 | \$149,798 | \$151,467 |
| Routine capital additions | 2,777 | 1,573 | 1,620 | 1,669 | 1,719 |
| Property and equipment, gross | 146,605 | 148,178 | 149,798 | 151,467 | 153,186 |
| Accumulated depreciation, net | (48,347) | (54,199) | (60,131) | (66,147) | (72,249) |
| Property and equipment, net Ending Balance | \$98,258 | \$93,979 | \$89,667 | \$85,320 | \$80,937 |

Source: Management

Long-Term Debt and Interest Expense*Series 2015 Bonds*

In 2015, the North Carolina Medical Care Commission (the "Commission") issued, at a discount, tax-exempt, fixed rate Retirement Facilities First Mortgage Revenue Bonds (the "Series 2015 Bonds"), the proceeds of which were used to fund the construction of Nursing Beds and Memory Support Units. As of March 31, 2020, approximately \$42,585,000 of the Series 2015 Bonds were outstanding. Principal on the Series 2015 Bonds is to be paid annually commencing October 1, 2031, with a final maturity on October 1, 2045. Interest on the Series 2015 Bonds is payable April 1 and October 1 of each year, at coupon rates ranging from 5.25 to 5.375 percent per annum and yields ranging from 5.25 to 5.45 percent per annum.

Series 2016 Bonds

In 2016, the Commission issued, at a premium, tax-exempt, fixed rate Retirement Facilities First Mortgage Revenue Refunding Bonds (the “Series 2016 Bonds”), the proceeds of which were used to refund then outstanding debt. As of March 31, 2020, approximately \$19,595,000 of the Series 2016 Bonds were outstanding. Principal on the Series 2016 Bonds is paid annually on October 1st with a final maturity on October 1, 2030. Interest on the Series 2016 Bonds is payable April 1 and October 1 of each year, at coupon rates ranging from 1.50 to 5.00 percent per annum and yields ranging from 1.50 to 3.75 percent per annum.

Series 2018 Bonds

In 2018, the Commission issued Retirement Facilities First Mortgage Revenue Refunding Bonds (the “Series 2018 Bonds”), the proceeds of which were used to fund Project costs. The Series 2018 Bonds consist of \$24,875,000 of non-rated tax-exempt Series 2018A Bonds (the “Series 2018A Bonds”) and \$13,375,000 of non-rated fixed rate Tax-Exempt Mandatory Paydown Securities Series 2018B Bonds (TEMPSSM) (the “Series 2018B Bonds”).

The Series 2018A Bonds were issued at a premium, with coupon rates ranging from 4.50 to 5.00 percent per annum. Interest on the Series 2018A Bonds is payable April 1 and October 1 of each year beginning April 1, 2019. Principal on the Series 2018A Bonds is to be paid annually commencing October 1, 2031 with a final maturity on October 1, 2048.

The Series 2018B Bonds consist of \$5,000,000 of Series 2018B-1 Bonds (the “Series 2018B-1 Bonds”) and \$8,375,000 of Series 2018B-2 Bonds (the “Series 2018B-2 Bonds”) with interest rates ranging from 3.55 to 4.00 percent per annum. Interest on the Series 2018B Bonds are payable April 1 and October 1 of each year beginning April 1, 2019. The Series 2018B-1 Bonds have a maximum stated maturity of October 1, 2025 and were redeemed in full by March 31, 2021. The Series 2018B-2 Bonds have a maximum stated maturity of October 1, 2024 and were redeemed in full by October 1, 2020.

Other Debt Obligations

The Corporation entered into the following debt obligations during fiscal year ending March 31, 2019:

- A capital lease obligation (the “Capital Lease”) for computer equipment purchases of approximately \$144,000 with an annual interest rate of 7.37 percent and monthly installments totaling approximately \$2,880, with a maturity date of May 31, 2023, collateralized by the equipment.
- A vehicle loan (the “Vehicle Loan”) of approximately \$52,000 with an annual interest rate of 7.77 percent and monthly installments totaling approximately \$1,050, with a maturity date of July 31, 2023, collateralized by the vehicle.

The Vehicle Loan and Capital Lease are defined collectively as the “Other Debt Obligations”. Management assumes the Other Debt Obligations are to be satisfied during the fiscal year ended March 31, 2023, and no material additional debt obligations will be incurred during the forecast period.

The following table presents the assumed annual debt service for the Series 2015 Bonds, the Series 2016 Bonds, Series 2018 Bonds, and Other Debt Obligations during the forecast period and thereafter.

Table 14
Schedule of Annual Debt Service
(In Thousands)

| Years Ending | Series 2015 Bonds | | Series 2016 Bonds | | Series 2018 Bonds | | Other Debt Obligations | | Total Debt Service |
|--------------|-------------------|-----------------|-------------------|----------------|-------------------|-----------------|------------------------|------------|--------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | |
| March 31, | | | | | | | | | |
| 2022 | \$ - | \$2,269 | \$1,460 | \$870 | \$ - | \$1,237 | \$41 | \$6 | \$5,883 |
| 2023 | - | 2,269 | 1,530 | 800 | - | 1,237 | 53 | 3 | 5,892 |
| 2024 | - | 2,269 | 1,605 | 727 | - | 1,237 | - | - | 5,838 |
| 2025 | - | 2,269 | 1,680 | 650 | - | 1,237 | - | - | 5,836 |
| 2026 | - | 2,269 | 1,765 | 569 | - | 1,237 | - | - | 5,840 |
| Thereafter | 42,585 | 31,768 | 10,225 | 1,499 | 24,875 | 23,701 | - | - | 134,653 |
| TOTAL | \$42,585 | \$43,113 | \$18,265 | \$5,115 | \$24,875 | \$29,886 | \$94 | \$9 | \$163,942 |

Source: Management

Bank Line of Credit

In February 2020, the Community entered into a revolving line of credit agreement with a local bank, which allows for borrowing up to \$1,500,000. Interest accrues at a floating rate of prime plus a margin of 1.5% and is due and payable monthly commencing March 2020. The line of credit originally matured on February 1, 2021 but was extended to June 30, 2022 at which time all outstanding principal and accrued interest will be due. The outstanding balance at March 31, 2021 was approximately \$182,000. Management intends to renew the Line of Credit throughout the forecast period for cash management purposes. For purposes of the forecast, Management assumes that the Line of Credit will have a zero balance at the end of each fiscal year during the forecast period.

Paycheck Protection Program

The Corporation has received proceeds of approximately \$2,513,000 from a participating bank under the Paycheck Protection Program created under the CARES Act as amended by the Flexibility Act. Funds received were recognized as a liability. The Paycheck Protection Program loan is unsecured, and the loan accrued interest at a rate of one percent and had an original maturity date of five years. Payments were deferred during the deferral period, which began on the origination date and extended for ten months beyond the last day of the Corporation's covered period. On December 22, 2020, the Corporation submitted the loan forgiveness application. On June 11, 2021, the Small Business Administration approved the application for forgiveness and all outstanding principal and accrued interest were forgiven. For purposes of the forecast, the Paycheck Protection Program loan and accrued interest is assumed to be forgiven during fiscal year ending March 31, 2022.

Current Assets and Current Liabilities

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

Table 15
Working Capital – Days on Hand

| | | |
|------------------------|----|----------------------------|
| Accounts receivable | 13 | days of operating revenues |
| Other receivables | 4 | days of operating revenues |
| Prepaid expenses | 6 | day of operating expenses |
| Accounts payable | 15 | days of operating expenses |
| Other accrued expenses | 20 | days of operating expenses |

Source: Management



Appendix B1

Continuing Care Residence and Services Agreement



Independent Living Residence and Services Agreement

(With continuing care in the Assisted Living and Health Care Centers)

Resident(s): _____

Living Accommodation: _____

1000 Salemtowne Drive · Winston-Salem, NC 27106 · 336-767-8130 · Fax 336-767-4090 · www.salemtowne.org

INDEPENDENT LIVING RESIDENCE AND SERVICES AGREEMENT

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INDEPENDENT LIVING RESIDENCE AND SERVICES AGREEMENT

This Agreement (the "Agreement") is made this *(date of occupancy)* _____ day of _____, _____ by and between MORAVIAN HOME, INCORPORATED d/b/a SALEMTOWNE, a North Carolina nonprofit corporation (hereinafter the "Corporation", "Salemtowne", "we", us" or "our"), and _____ (hereinafter "Resident", "resident", "you", "your" or when two persons "Residents", "residents", "you" or "your" shall apply to both persons except where the context otherwise requires).

WHEREAS, the Corporation operates a continuing care retirement community located at 1000 Salemtowne Drive in Winston Salem, North Carolina, known as "Salemtowne"; and

WHEREAS, you desire to become a resident of Salemtowne and to use and enjoy the facilities, programs, and services provided by the Corporation subject to the terms and conditions of this Agreement;

NOW, THEREFORE, you and the Corporation agree as follows:

I. ACCOMMODATIONS AND SERVICES

Subject to the terms and conditions set forth in this Agreement, we agree to provide you the Living Accommodation, services and programs at Salemtowne described as follows:

A. Living Accommodation. Unit number *(address)* _____, a(n) *(cottage or apartment type of Living Accommodation)* _____ (as described in materials presented to you and as shown to you during a physical tour), located at *(name of village or building)* _____ in Salemtowne (hereinafter referred to as the "Living Accommodation"). You have the exclusive right to occupy and use the Living Accommodation, subject to the terms and conditions set forth in this Agreement and applicable state and federal laws. You, with the prior written consent of the Corporation and subject to the terms and conditions of this Agreement, may from time to time transfer from one Living Accommodation in Salemtowne to another. Transfer charges may apply. In the event of such a transfer, the reference to the "Living Accommodation" designated above shall be automatically amended to reflect such a transfer.

B. Security. We will use reasonable care in providing security on the premises of Salemtowne. We will furnish an emergency call system that is monitored twenty-four (24) hours a day. Smoke detectors are provided in all Living Accommodations. We are not responsible for theft, loss, or damage to your personal property. You are responsible for securing your Living Accommodation.

Initials _____
Corporation Resident(s)

- C. **Utilities.** We will furnish electricity, heating, air conditioning, water, sewer, gas, basic cable television service, Wi-Fi Internet connection, and trash removal. You are responsible for telephone installation charges and the cost of telephone services.
- D. **Furnishings and Appliances.** The Corporation will provide furnishings and appliances in the Living Accommodation as described in the literature published by the Corporation regarding Salemtowne. All other furniture and furnishings for the Living Accommodation shall be provided by the Resident and shall be maintained by you at your risk.
- E. **Dining.** You will have access to three (3) nutritionally well-balanced meals each day. These meals, as well as any dining plans, are offered by the Corporation in accordance with the Corporation's policies and procedures, which may be changed and amended by the Corporation.

Delivery service and meals containing substitute or special diets will be provided when approved by the Corporation. An extra charge may be made for special diets, dietary supplements, and delivery services.

- F. **Housekeeping Services.** We agree to maintain the Living Accommodation by providing weekly housekeeping and trash removal for Independent Living and Assisted Living Residents. Housekeeping includes vacuuming, dusting, cleaning of baths and kitchen and changing of bed and bath linens, and trash removal. Housekeeping services will be provided in the Health Care Center and Westerly Place Memory Care Assisted Living Center ("Westerly Place"). Additional housekeeping services may be made available at your expense.
- G. **Laundry.** Laundry facilities will be provided free of charge for personal laundry. You are responsible for arranging and paying for dry cleaning services.

Bed and bath linens and linen laundry service (washing, drying, and folding) will be provided for residents in Bahnson Hall and Vogler Building apartments, the Assisted Living Center, Westerly Place, and the Health Care Center. The costs of these services are included in the Monthly/Daily Fees.

Salemtowne is not responsible for loss or damage to personal items laundered by Salemtowne.

- H. **Maintenance and Repairs.** We will maintain and keep in repair the improvements, furnishings, appliances, and equipment owned by the Corporation. Maintenance and repair of your personal property is your responsibility. You will be responsible for the cost of repairing any damage to property of the Corporation caused by your negligence or intentional acts and/or the negligence or intentional acts of any guest of yours, ordinary wear and tear excepted.
- I. **Alterations to Living Accommodation.** Any structural or physical change or redecoration of any kind within the Living Accommodation will require the prior approval of the Corporation. The cost of any change, repairs, or maintenance for that change and the subsequent cost to return the Living Accommodation to its original condition in the event of such change or redecoration will be paid by you. Any such improvement or change will be

owned by the Corporation and will not be considered in determining the amount of any refund to you upon the termination of this Agreement.

- J. Use of and Changes to Living Accommodation.** The Corporation has the right to change the Living Accommodation to meet requirements of any applicable statutes, laws, or regulations. The Living Accommodation may not be used in any manner in violation of any zoning ordinances or other governmental laws or regulations.
- K. Groundskeeping.** We will furnish basic groundskeeping service for the grounds of Salemtowne, including lawn, tree, and shrubbery care. Subject to approval by the Corporation, you may plant and maintain certain areas designated for such purpose by the Corporation. The cost of these plantings and maintenance of such plantings will be at your expense.
- L. Parking.** The Corporation will provide one (1) unassigned parking area for your personal vehicle and limited parking for guests.
- M. Mail.** Mail will be delivered by the postal service to Salemtowne. The postal service delivers mail directly to the central mail areas for independent Living Accommodations. Salemtowne staff delivers mail directly to Assisted Living Center, Westerly Place, and the Health Care Center.

Package deliveries vary by carrier. If a carrier does not deliver packages directly to the Resident's Living Accommodation, Salemtowne staff will notify the Resident so that the package can be picked up from a central location. Salemtowne staff will deliver packages directly to Assisted Living Center, Westerly Place, and Health Care Center Residents.

- N. Storage.** Additional storage space is provided on a "first come, first serve" basis for some independent living apartment building Living Accommodations. Additional charges may be incurred for storage. Additional storage space is not provided for cottages, Bahnson Hall, the Assisted Living Center, or Health Care Center Living Accommodations.
- O. Common Facilities.** We will provide common facilities for the use and/or benefit of all Residents, so long as there are no contraindications identified by a Resident's physician, physician assistant, or nurse practitioner. Such common facilities currently include an enclosed swimming pool and exercise facility, dining rooms, mailroom, multi-purpose rooms, library, computer area, game/television area, lounges, and sitting areas, which may be subject to change from time-to-time.
- P. Transportation.** We will provide local transportation for scheduled medical appointments Monday through Friday between 9:00 a.m. and 4:30 p.m., except for holidays. Forty-eight (48) hours' notice is required. Additional charges will be incurred for appointments exceeding four (4) per month and those appointments outside of normal service hours noted above. Additional charges will be incurred for residents who require staff accompaniment.

We will provide local transportation for residents as part of the Activity Program for the following: weekly shopping, scheduled meal outings, day trips, and other special events. An additional charge may be made for transportation for special, personal, or group trips.

- Q. Activities.** Physical, social, intellectual, and spiritual activities will be available to residents. Additional charges may be incurred for some programs.
- R. Other Services Available.** Residents engaging third parties for services within Salemtowne may do so only with prior notification and authorization by Salemtowne (i.e., companions, private duty nurses, maintenance workers, etc.). This is not an all-inclusive listing of services you may request or utilize. With respect to services not listed, consult the schedule of charges or the Finance Office.
- S. Limitation to Services.** You hereby acknowledge and agree that the Corporation is prohibited by law from furnishing certain types of services, based upon applicable statutes, administrative regulations, and interpretations of statutes and regulations by the North Carolina Department of Health and Human Services, Division of Health Service Regulation, Adult Care Licensure Section. You agree that if you need services that the Corporation is not legally authorized or does not otherwise provide, you shall be discharged from Salemtowne. Except as otherwise expressly stated in this Agreement, you are responsible to arrange and pay for health and medical care services not provided by the Corporation, including, without limitation, hospital services, physicians' services, private duty personnel, medications, vitamins, eye glasses, eye examinations, hearing aids, ear examinations, dental work, dental examinations, orthopedic appliances, laboratory tests, x-ray services or any rehabilitative therapies.
- T. Professional Management of Salemtowne and its Facilities.** The Corporation will employ management and staff and/or agents ("Staff") to manage the operations of Salemtowne and its facilities.
- U. Nursing and Health Care.** We will provide nursing and health care for each resident as follows:
- 1. Babcock Health Care Center.** The Health Care Center will be provided for the benefit of the residents. The Corporation is licensed by the North Carolina Department of Health and Human Services, Division of Health Service Regulation to operate intermediate and skilled nursing care for residents who are temporarily ill or who require long-term nursing care. Private accommodations will be provided for residents in the Health Care Center. Some of the beds in the Health Care Center are certified for Medicare and Medicaid reimbursement.
 - Twenty-four (24) hour nursing staff maintained in the Babcock Health Care Center.
 - Charges for Health Care Center accommodations and services are described in the Schedule of Fees and other literature published by the Corporation and distributed to residents at least annually.
 - Temporary care (up to 30 days) is also available in the Health Care Center for the treatment of short-term illnesses or injuries.
 - 2. Resident's Attending Physician.** Residents may choose their own personal physician and are responsible for charges for services by such physicians and any consultants.

3. **Other Healthcare Services.** Other health care services may be made available to the Resident at the Resident's expense, including, but not limited to: pharmacy services, radiology services, dental services, laboratory tests, physical therapy, occupational therapy, therapeutic activities, rehabilitative treatments, wheelchairs, medical equipment, and supplies. The cost of such services shall not be covered by the Monthly/Daily Fees described herein.
4. **Clinic and Related Services.** We maintain a clinic for residents in which nursing staff offer certain non-emergency medical treatment during scheduled time periods.
5. **On-Site Emergency Call Response.** Each Living Accommodation is equipped with an emergency call system. Salemtowne nursing staff will respond to emergency calls.
6. **Emergency Medical Care.** We will notify your physician when emergency medical care is necessary. If acute medical care is necessary or upon physician's or your request, you will be transferred to a local hospital emergency room. In the event of an emergency, Salemtowne staff will summon emergency medical services to assist you by calling "911" or otherwise summoning appropriate medical personnel from outside Salemtowne. You authorize Salemtowne to provide to you any care and assistance deemed by Salemtowne to be in your best interests under the circumstances and to take any such action that is reasonably prudent in the event of an emergency, subject to any advance directives contained in a document that you have furnished to the Corporation.
7. **Resident Health Record.** Salemtowne shall maintain a health record for Resident that contains health and other personal information that is pertinent to the Services which Salemtowne is providing. All information and records regarding Resident are confidential and are only disclosed in accordance with applicable law, including the HIPAA Privacy Rule. Resident may review his or her health record and authorize others to review Resident's health record.
8. **Assisted Living Center.** The Assisted Living Center will be provided for the benefit of the residents. The Corporation is licensed by the North Carolina Department of Health and Human Services, Division of Health Service Regulation to provide support services for residents who require assistance with activities of daily living. Private accommodations will be provided for residents in the Assisted Living Center. The Assisted Living Center is licensed to provide services to individuals who require some assistance with activities of daily living, including but not limited to: bathing, dressing, and medication administration, dining room assistance, monitoring of vital signs, and nursing assessments.
9. **Westerly Place Memory Care Assisted Living Center.** The Westerly Place Memory Care Assisted Living Center will be provided for the benefit of the residents. The Corporation is licensed by the North Carolina Department of Health and Human Services, Division of Health Service Regulation to provide support services for residents who require assistance with Alzheimer's, memory care, or dementia. Private accommodations will be provided for residents in the Westerly Place Memory Care Assisted Living Center.

10. Resident's Consent to Receive Health Care Services. Resident authorizes Salemtowne to provide those health care-related services that are specifically set forth in this Agreement. Resident also authorizes Salemtowne to obtain all necessary clinical and/or financial information from Resident's attending physician, and any other health care providers treating Resident, including, but not limited to, any hospital or nursing facility from which Resident may be transferring or may transfer in the future and hereby authorizes such health care provider(s) to provide such health care information to Salemtowne.

V. Services. The services and facilities that are provided through the Entrance and Monthly/Daily Fees (may also be described further herein) are summarized below:

At the time of the execution of this Agreement, the following services are provided to all residents and are included in the Monthly/Daily Fees. (Fees will not be reduced or unbundled for services that residents decline, such as dining.)

- Flexible dining plan (depending on dining allowance option chosen or required)
- Utilities, except telephone service
- Basic Cable television service and Wi-Fi Internet services
- 24-hour emergency call and fire protection system
- Housekeeping services
- Maintenance services
- Limited local medical transportation
- Social, spiritual, intellectual, and recreational programs
- Pastoral care
- Consultation of health concerns through Salemtowne's clinic
- Nutritional consultation

Salemtowne reviews services and costs of operations, as well as the need for any changes in services, regularly. Salemtowne reserves the right to change the services provided to residents and the associated fees and charges.

II. FINANCIAL ARRANGEMENTS

A. Entrance Fee Choices. You agree to pay the Corporation one of the following Entrance Fees (**selected option checked below**) as a condition of becoming a Resident of Salemtowne. This Entrance Fee is refundable in whole or in part as described below and in Section VI of this Agreement.

| Entrance Fee Option | Amount of Entrance Fee | Amortization Schedule |
|------------------------------|-------------------------------|---|
| Standard Refund Entrance Fee | \$ _____ | 2% a month for 48 months less 4% non-refundable fee. |
| 50% Refund Entrance Fee | \$ _____ | 2% per month for 23 months less 4% non-refundable fee. Refund never less than 50% of original |

| | | |
|-------------------------|----------|--|
| | | entrance fee, subject to any reduction for unpaid non-standard costs and accrued expenses. |
| 90% Refund Entrance Fee | \$ _____ | 1% per month for 6 months less 4% non-refundable fee. Refund never less than 90% of original entrance fee, subject to any reduction for unpaid non-standard costs and accrued expenses.. |

Initials _____
Corporation **Resident(s)**

It is agreed that

\$ _____, representing the Application Fee **and**

\$ _____, representing 10% of the Entrance Fee **and**

\$ _____, representing 100% of the cost of non-standard features

are payable upon execution of a Reservation Agreement or prior to the installation of the applicable non-standard features, whichever occurs earlier.

The Entrance Fee balance and unpaid non-standard feature costs will be due and payable 10 days prior to the date of occupancy. We will give you reasonable notice prior to the projected date of occupancy. Occupancy is defined as the first day that a Resident either resides in the Living Accommodation or the first day that the Resident’s furnishings or belongings occupy the Living Accommodation or a storage area at Salemtowne.

Notwithstanding the foregoing, unless we agree in writing to other arrangements, you must take occupancy within thirty (30) days after the date the Living Accommodation is available for occupancy in accordance with the Reservation Agreement. If you do not take occupancy by such time, you shall pay the balance of the Entrance Fee, balance of any non-standard costs, **and** begin paying the applicable Monthly / Daily Fees beginning with the 30th day after the date the Living Accommodation is available for occupancy, unless this Agreement is terminated as described in this Agreement.

The Corporation has consented to your request to add the following non-standard features in your Living Accommodation and you agree to pay the following amount to cover the additional costs, maintenance and removal of these features. This additional amount is not subject to any refund provision herein.

| <u>Non-Standard Features Added:</u> | <u>Cost</u> |
|---|-------------|
| | \$ |
| | \$ |
| | \$ |
| | \$ |
| | \$ |
| Total of Non-Standard Features Added | \$ |

Initials _____
Corporation Resident(s)

B. Monthly/Daily Fee. In addition to the Entrance Fee and any other charges provided for under this Agreement, you agree to pay a Monthly/Daily Fee during the term of this Agreement which shall be payable in advance by the 10th day of each month. As of the date of this Agreement, the Monthly/Daily Fee associated with the Living Accommodation will be:

| | <u>Estimated Monthly Fee</u> |
|---|----------------------------------|
| Monthly Fee Resident (includes dining allowance plan) (current dining allowance value is \$_____) | \$ |
| Monthly Fee for 2 nd Resident occupying Living Accommodation (includes dining allowance plan), if applicable | \$ |
| Total Estimated Monthly Fee for Living Accommodation | \$ |

No credit will be provided to you should you refuse services, which are included in the Monthly/Daily Fee, such as laundry, housekeeping, dining, etc.

Initials _____
Corporation Resident(s)

- C. **Adjustments in the Monthly/Daily Fee.** The Corporation usually sets fees annually but shall have the authority to adjust the Monthly/Daily Fee from time to time during the term of this Agreement as it, in its discretion, deems necessary. Any such increase in the Monthly/Daily Fee or other charges may be made by the Corporation upon thirty (30) days' written notice to the Resident.

In the event that it should be determined that the Corporation is required to pay ad valorem taxes upon its property, the Monthly/Daily Fee may be adjusted to reflect the amount of such taxes. You will pay all taxes assessed on your personal property.

In the event Salemtowne is assessed sales or use tax on Monthly/Daily Fee and/or fees for other services, you agree to pay Salemtowne the amount of such taxes.

- D. **Schedule of Fees.** You have been given a current copy of the Schedule of Fees. Fees and charges may change from time to time, and copies of current fees and charges are available upon request.

- E. **Monthly Statements.** We will furnish you with monthly statements showing the total amount of fees and other charges owed by you, which shall be payable by the 10th of the month. Late payments are subject to an interest charge of one and one-half percent (1.5%) per month from the first of the month. In the event the Corporation initiates any collection actions or legal proceedings to collect payments due from you under this Agreement, you shall be responsible to pay all costs and attorneys' fees incurred by the Corporation in pursuing the enforcement of your financial obligations under this Agreement. The Corporation may terminate this Agreement if you have a past due amount upon thirty (30) days' written notice. Termination of this Agreement does not end the obligation of you or your estate to pay all amounts due, no matter when incurred.

You, and your current and future responsible parties (i.e., power(s) of attorney, executor(s)) on your behalf, from your assets and income agree to pay all costs, expenses, and reasonable attorneys' fees, in the event same must be expended in the collection of any sums due and owed by you to the Corporation.

The Corporation reserves the right, with thirty (30) days' notice, to change the billing date and the payment due date. For a partial first month, the Monthly/Daily Fee is pro-rated on a per diem basis. Thereafter, Monthly/Daily Fees are paid in advance and are pro-rated at termination.

- F. **Assisted Living Center, Health Care Center, and Westerly Place Fees and Charges.**

1. **Priority Entry.** Residents are provided priority over non-residents for entry to the Health Care Center, the Assisted Living Center, and Westerly Place. Salemtowne will make every effort to accommodate residents in the Health Care Center, the Assisted Living Center, and Westerly Place but cannot guarantee the availability of accommodations. In the event the Health Care Center, the Assisted Living Center, or Westerly Place, as applicable, is fully occupied when Resident is in need of care, Resident agrees to relocate to an alternate health care facility ("a Comparable Facility").

In the event of relocation, Salemtowne will make every effort to transfer Resident back to Salemtowne when accommodations become available.

Upon your relocation to a Comparable Facility, you will continue to be responsible for the Monthly/Daily Fee (unless their Living Accommodation is surrendered). Salemtowne will not be responsible for the charges associated with the alternate health care accommodations.

2. **Room and Bed Discount Program.** If you are admitted to the Health Care Center, Westerly Place, or the Assisted Living Center, you are entitled to participate in the Room and Bed Discount Program, which provides residents who have paid an Entrance Fee and have a stay in the Health Care Center, Westerly Place or Assisted Living Center a 20% discount from published rates.

- G. Application for Benefits.** If requested by Salemtowne, you will apply for any or all federal, state, and local benefits for which you may be eligible or entitled; and if requested by Salemtowne, you will apply for any or all such benefits toward the cost of your care at Salemtowne. These benefits may include, but are not limited to: Medicare, Medicaid, prescription, and Veterans benefits.

Residents who receive Medicaid funding and who reside in a Medicaid certified accommodation must have their Social Security, pension, or other monthly income paid directly to Salemtowne in accordance with Medicaid guidelines. Salemtowne will administer and manage these funds, on behalf of Resident in accordance with applicable laws and regulations, to pay for the residence and services provided to Resident.

- H. Assignment of Benefits.** You will from time to time authorize any provider of medical and health services, including Salemtowne, to receive reimbursement as provided under Medicare/Medicaid, any or all Federal, State, and local benefits for which you may be eligible or entitled, and any supplementary insurance programs. If requested by Salemtowne, you will from time to time make assignments to the provider of medical and other health services of all benefits otherwise accruing to you under Medicare/Medicaid or other programs and supplementary extended coverage plans to compensate for services rendered. Resident irrevocably authorizes Salemtowne to make claims and to take other actions to secure receipt by Salemtowne of all payments from a third-party payor to reimburse Salemtowne for its charges for the stay and care of Resident.

- I. Managed Care.** If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, or other programs, and supplemental insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:

1. **Participating Provider.** If Salemtowne is a participating provider with your managed care program, the Corporation agrees to be reimbursed at the rate negotiated with your managed care program.
2. **Not a Participating Provider.** If Salemtowne is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long

as necessary for those services to be provided and be responsible for all costs. In addition, while receiving health care services at the managed care participating provider, you agree that unless this Agreement is terminated, you will continue to pay the Monthly/Daily Fee for your Living Accommodation, unless your Living Accommodation has been surrendered.

3. **No Negotiated Managed Care Rate.** If Salemtowne is not a participating provider in your managed care program and a negotiated rate is not agreed upon by Salemtowne and you would still like to receive health care and services at Salemtowne, then you will be responsible for the full amount of applicable charges not paid by your insurance carrier.
4. **Medicaid.** In the event you receive financial assistance through the Medicaid program while occupying a Medicaid certified bed in the Health Care Center, you will be charged in advance for your liability portion established by the local county department of social services. You will be responsible for all charges for additional items and services requested by you and furnished to you which are not covered under the Medicaid program. Charges shall be made only as permitted under the Social Security Act and applicable regulations.

III. **ENTRY REQUIREMENTS**

You will become approved for residency at Salemtowne upon satisfaction of the following provisions:

- A. **Age.** The entry requirements for residency at Salemtowne are nondiscriminatory except as to age, and Salemtowne is open to both married and single men and women of all races and religions. Entry to independent living is restricted to persons 62 years of age or older, except in the case of double occupancy, at least one Resident must be 62 years of age or older. Entry to the Assisted Living Center, Westerly Place, and the Health Care Center is restricted to persons 62 years of age or older except for residents who enter into the Health Care Center for short-term rehabilitation which is restricted to persons 55 years of age or older.
- B. **Personal Interview.** You shall have an interview with a representative from Salemtowne (including nursing evaluation) prior to taking residency at Salemtowne. Upon review of all information required to be furnished herein, additional personal interviews may be requested by the Corporation.
- C. **Application, Health History, and Financial Statement.** You shall submit for review by the Corporation, an Application for Entry, a personal health history, and a Confidential Financial Statement, all on forms furnished by the Corporation.
- D. **Notification.** We shall review the application materials as well as the results of the Personal Interview(s) and will notify you whether you meet the entry requirements. We will also notify you as early as possible of the date on which the Living Accommodation is expected to be available for occupancy.

- E. Health Requirements.** Prior to residency at Salemtowne, you shall submit a report of a physical examination from a physician selected by you. Such report shall include a statement by such physician that you are able to care for yourself without assistance with activities of daily living. We may require you to have another physical examination by our Medical Director or by another physician approved by the Corporation. You shall be responsible for the costs of such physical examinations. If your health as disclosed by such physical examination differs materially from that disclosed in your Application for Entry and Personal Health History, the Corporation shall have the right to decline entry and to terminate this Agreement, or in the discretion of the Corporation, to permit you to take occupancy of accommodations at Salemtowne suitable to your needs.
- F. Mental Illness, Dangerous Communicable Disease, Drug or Alcohol Abuse.** Salemtowne is not designed to care for persons who have an active mental illness, a dangerous communicable disease, or who require treatment for drug or alcohol abuse. Should Salemtowne, in consultation with the Medical Director, determine that your physical or mental illness, or that your condition as a result of drug or alcohol abuse, is such that your continued presence is either dangerous or detrimental to your life, health or safety, or the life, health, peace or safety of others in the community, then Salemtowne may transfer you to another facility of your choosing and/or require you to terminate your residency at Salemtowne.
- G. Financial Requirements.** You must have assets and income which will be sufficient under foreseeable circumstances to pay the financial obligations under this Agreement and to meet your ordinary living expenses. We may require you to furnish current financial information at any time prior to and subsequent to occupancy.
- H. Financial Resources.** You, your current and future responsible parties (i.e., power(s) of attorney, executor(s)) will abide by any and all financial arrangements made with the Corporation for the purpose of securing your ability to pay any and all charges for residing at Salemtowne. 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 Salemtowne to terminate this Agreement with thirty (30) days' notice, and you or your responsible parties, as applicable, will be liable for any unpaid amounts.
- I. Power of Attorney.** You agree to execute and maintain in effect a durable power of attorney that is valid under North Carolina law and will survive your incapacity or disability. This durable power of attorney will designate an attorney-in-fact and an alternate attorney-in-fact who will act for you in managing your financial affairs and in filing for insurance or other benefits under private and public assistance programs as full and complete a manner as you could do if acting personally for yourself. **You will deliver a copy of a fully executed power of attorney to Salemtowne prior to occupancy.** You will not revoke or amend this durable power of attorney except upon execution of a replacement durable power of attorney, a fully executed copy of which will be delivered to Salemtowne. This document also may address at your option, other affairs, such as decisions concerning medical care.

- J. Will.** You agree to execute a Will, and to provide to Salemtowne a copy of such sections of the Will and any revisions, as applicable during the term of this Agreement to document the name(s) of the person(s) to be contacted in the event of your death (i.e. executor(s)).

In the event of your death, while you are a resident of Salemtowne under this Agreement, only the executor(s) named in your Will (or such person or entity designated by such executor(s)) will be allowed to remove or dispose of your furnishings and belongings in your Living Accommodation and any related storage areas at Salemtowne. Members of your family or those to whom you have granted power of attorney will not be allowed access to your personal property after your death unless they are the executor(s) named in your Will.

- K. Funeral and Burial.** Salemtowne will not be responsible for making funeral or burial arrangements and is not responsible for related expenses.

- L. Advance Directives.** You are encouraged to execute a Living Will and a Health Care Power of Attorney and deliver a fully executed copy thereof to Salemtowne, as well as any revisions as applicable, during the term of this Agreement.

- M. Appointment of Guardian.** If you become unable to care for your business and financial affairs, the Corporation reserves the right to institute action for the determination of your incompetence and the appointment of a guardian to fulfill the terms of this Agreement; unless such needed arrangements have already been made. The cost of the legal proceedings, including attorneys' fees, shall be paid by you or your estate.

- N. Emergency Notifications.** You agree to provide Salemtowne with the following information prior to the date of occupancy as well as updates of this information during the term of this Agreement:

- Names, addresses, and phone numbers of persons to notify in an emergency (minimum of two are required);
- Names of persons having the right of entry into your residence;
- Name, address, and phone number of funeral home (prior arrangements are encouraged);
- Names, addresses, and phone numbers of lawyer and executor;
- Names, addresses, and phone numbers for powers of attorney; and
- Names, addresses, and phone numbers for emergency pet contacts, if applicable.

- O. Contents and Accuracy of Resident's Application.** Salemtowne has accepted Resident based on the information contained in Resident's Application and has agreed to enter this Agreement. In signing this Agreement, Resident understands and agrees that the information provided in the Resident's Application is part of this Agreement, and is a basis upon which Salemtowne has agreed to enter into the Agreement. Resident hereby affirms that all the information provided in the Resident's Application is true and correct to the best

of the knowledge of each person who signs the Agreement, and each also acknowledges that any material misrepresentation or omission in Resident's Application shall render this Agreement voidable at the option of Salemtowne. Resident agrees to submit updated copies of the information requested in the Resident's Application, when requested by Salemtowne from time to time during the term of this Agreement.

IV. **TERMS OF RESIDENCY**

- A. **Rights of Resident.** Subject to the terms and conditions of this Agreement, you have the right to occupy and enjoy the Living Accommodation described herein during your lifetime unless this Agreement shall be 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 the Corporation other than the right to use or occupy the Living Accommodation in accordance with the terms hereof. The Living Accommodation may not be used for commercial purposes. The Living Accommodation may not be occupied or used in any manner in violation of any ordinance, law, or regulation.
- B. **Subordination.** You agree that all of your rights under this Agreement shall at all times be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Corporation, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender or lenders such further written evidence of such subordination as such lenders may reasonably require. You shall not be liable for any such indebtedness.
- C. **Resident.** When Resident consists of more than one person, the rights and obligations of each are joint and severally except as the context otherwise requires.
- D. **Policies, Rules, and Regulations.** You understand and agree that: (i) in order for Salemtowne to operate in the best interests of the entire community, it is essential that we have the cooperation of and compliance with applicable policies, rules, and regulations by you, your family, guests, responsible party and others who may intervene, speak or act or purport to intervene, speak or act, for or on behalf of you or who may come on the premises of Salemtowne in any capacity or for any purpose in connection with or as a result of your residency at Salemtowne; (ii) a continuing or repeated failure or refusal by any such persons to so cooperate and comply may result in a determination by Salemtowne that it is impracticable or impossible for Salemtowne to continue to accommodate you as a Resident; and (iii) upon such determination by Salemtowne, we shall have the right to terminate this Agreement. The Corporation reserves the right to amend or change its policies, rules, and regulations, including, without limitation, those pertaining to Salemtowne, from time to time at its sole discretion. By signing this Agreement, you or your responsible party acknowledges receipt of a copy of the Resident Handbook.
- E. **Weapons.** No weapons of any type shall be brought on to the Salemtowne property by you or your guests without the express prior written permission of the Corporation.
- F. **Resident Representation.** Residents have the right of self-organization through a Residents' council, which may convene to review the interests of the Resident population. You shall have Resident representation on the Salemtowne Board of Trustees subject to and as outlined in the Bylaws of Salemtowne.

G. Guests and Visitors. Guests and visitors are welcome at Salemtowne. Guests may use Salemtowne guest accommodations, subject to availability and additional charges. Guests may also stay in your Living Accommodation for visits of limited duration (less than two weeks, except with Salemtowne approval). Guests approved for stays in your Living Accommodation for longer than two weeks may result in additional charges. No other person, except the Resident(s), may reside in the accommodation without approval from the Corporation.

At all times, you shall be responsible for any injury to others or damage to the property of others or Salemtowne caused by you or your guest(s). Salemtowne reserves the right and authority to limit or terminate the stay of any guest at any time and for any reason.

H. Relationships Between Residents and Staff. Salemtowne is built on mutual respect and instructs its staff to be cordial and helpful to Residents. The relationship is to remain professional. Staff 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. By signing this Agreement, you or your responsible party acknowledges receipt of a copy of the Corporation's grievance procedure.

Giving gratuities or bequests to staff or staff's families is not permitted. Residents will not employ Salemtowne Staff nor hire former Salemtowne Staff without the prior written consent of Salemtowne Management.

I. Loss of Property. The Corporation maintains insurance on all of its property and its operations to include general public liability insurance, property insurance including coverage for acts of God, vandalism and theft, professional liability insurance, and worker's compensation.

The Corporation will not be responsible for the loss of any property belonging to the Resident or their guest(s) due to theft, mysterious disappearance, fire, or any other cause. You will have the responsibility for obtaining "renters insurance" to cover such losses.

J. Right of Entry. Salemtowne recognizes your right to privacy and shall limit entry to your Living Accommodation to legitimate emergencies and to scheduled work, including housekeeping, repairs, maintenance, and inspections. You hereby authorize Staff or agents of Salemtowne to enter your Living Accommodation upon reasonable notice for all such purposes.

K. Appliances. Salemtowne is not obligated to determine your ability to safely utilize the appliances, if any, in your Living Accommodation. However, should we determine that you have demonstrated an inability to utilize appliances in your Living Accommodation safely; we will have the right to turn off the power servicing such appliance(s) and/or to remove any and all such appliances. In any such instance, you shall remain obligated to pay for the full Month/Daily Fee for your Living Accommodation, any extra meals, and any fire alarm charges issued by the fire department.

L. Changes in Living Accommodations. The Corporation has the right to change the Living Accommodation to meet requirements of any applicable statutes, laws, or regulations. The

Corporation reserves the right to relocate you to another accommodation when deemed necessary in order for the Corporation to fulfill its strategic, financial or other obligations. The Corporation will use reasonable efforts to relocate you to an accommodation of the same or similar type as your accommodation. Any such decision to relocate you will be discussed thoroughly with you in order to enlist your understanding of the need for and cooperation with the relocation. The Corporation will pay all required packing and moving costs, and all reasonable refurbishing costs necessary to achieve substantial comparability between your accommodation and any new accommodation to which you may be relocated.

M. Occupancy by Two Residents. In the event that two Residents occupy a Living Accommodation under the terms of this Agreement, upon the permanent transfer to the Health Care Center or the Assisted Living Center or the death of one of such Residents, or in the event of the termination of this Agreement with respect to one of such Residents, such as in the case of death or divorce, the Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Living Accommodation or to move to a smaller Living Accommodation, in which event there will be no refund of the Entrance Fee. The remaining or surviving Resident will thereafter pay the Monthly/Daily Fee for one Resident associated with the Living Accommodation occupied by the Resident. No refund will be payable with respect to the Living Accommodation surrendered, except as provided in the Termination and Refund Provisions of Section VI. Any fees paid for a second Resident are not transferable to a future second Resident, such as in the case of a subsequent marriage.

N. Health Insurance. You will maintain eligible Medicare coverage and one supplemental health insurance policy or equivalent insurance coverage, which adequately covers hospital, medical, prescriptions, and skilled nursing deductibles and co-payments required of your primary insurance plan. Both your primary and supplemental health insurance policies must recognize Salemtowne as a health care provider, or you will assume the financial responsibility for services provided that otherwise could be covered.

You will be responsible for ensuring that the health insurance coverage does not lapse and will provide Salemtowne with evidence of such coverage upon request. If your health insurance coverage should lapse, Salemtowne may require that you reapply for suitable coverage. If you are unable to obtain adequate new coverage, Salemtowne will charge you for any costs of medical and other health care services provided that otherwise would have been covered by an approved policy.

O. Filing for and Rights to Insurance Benefits.

- Salemtowne will file claims with your insurance for all covered services. By law, the patient is responsible for payment of the deductible, co-insurance, and any non-covered service. Non-covered services include but are not limited to beauty shop charges.
- As a courtesy, Salemtowne will file claims to your secondary insurance carrier for your Medicare Parts A & B co-insurance unless we are prohibited from filing due to participation requirements of the carrier.

- Deductibles and co-insurance amounts will be billed on your monthly Salemtowne statement. You are responsible for payment of all deductibles and co-insurance billed by Salemtowne upon receipt of the bill. Payments received from your insurance carrier for Medicare Part A co-insurance will be applied to your monthly Salemtowne statement when received.
- Outpatient Services (e.g., therapy) not paid by a Resident’s insurance carrier within ninety (90) days of the date of service will become due and payable by Resident unless the claim is subject to Medicare, Medicaid, or an insurance plan in which Salemtowne participates.
- In the event a Resident’s health insurance determines a service is “not covered,” the Resident will be responsible for payment. Salemtowne tries to inform Residents when services may not be covered; however, it is the Resident’s responsibility to understand his/her policy limitations.
- If, for any reason, Salemtowne cannot submit claims directly for benefits payable under insurance required by this Agreement, you agree to make such submissions and to pay Salemtowne the fees, costs or charges for services rendered.
- **Salemtowne reserves the right, in its discretion, to eliminate or change its participation with any and all insurance plans.**

P. Addition of a New Occupant/Sharing Occupancy After Admission/Entry.

1. Addition of a Resident Occupant - If a Resident, while occupying a Living Accommodation, wishes to share a Living Accommodation with a person who is also a Resident, the two Residents may, with the prior written consent of the Corporation, occupy the Living Accommodation of either Resident and shall surrender the Living Accommodation not to be occupied by them. No refund will be payable with respect to the Living Accommodation surrendered, except as provided in the Termination and Refund Provisions of Section VI. Such Residents will pay the Monthly/Daily Fee for double occupancy associated with the Living Accommodation occupied by them.
2. Addition of a Non-Resident Occupant - In the event that a Resident wishes to share a Living Accommodation with a person who is not a Resident (“Non-Resident”), the Non-Resident may become a Resident if such individual meets all of the then current requirements for entry to Salemtowne; enters into a then current version of the Residence and Services Agreement with the Corporation, and pays an Entrance Fee in an amount determined by the Corporation in its sole discretion. The Resident and new Resident shall pay the Monthly/Daily Fee for double occupancy associated with the Living Accommodation occupied by them. If the Non-Resident does not meet the requirements of Salemtowne for entry as a Resident, the Resident may terminate this Agreement in the manner as provided in Section VI. B. with respect to voluntary termination.

Q. Combination of Living Accommodations. Various circumstances may make it desirable that a Living Accommodation occupied by a Resident be combined with an adjoining Living Accommodation to form one combined Living Accommodation. You agree that if a determination is made by the Corporation that it is desirable to combine your Living Accommodation with a Living Accommodation which adjoins your Living Accommodation, you will surrender occupancy of your Living Accommodation, within a reasonable time after receiving notice of such determination. In the event that the Corporation makes such determination and notifies you of such, you have the option to (i) transfer into the combined Living Accommodation when such combined Living Accommodation is ready for occupancy, or (ii) transfer to another Living Accommodation, when available, of the same type as the Living Accommodation previously occupied by you.

If you elect to occupy the combined Living Accommodation and the Entrance Fee established for such combined Living Accommodation exceeds the Entrance Fee paid by you for your previous Living Accommodation, you shall pay the amount of such excess upon taking occupancy. You will pay the Monthly/Daily Fee associated with the combined Living Accommodation as established by the Corporation.

If you elect to transfer to a Living Accommodation of the same type as the Living Accommodation previously occupied, the Corporation will repaint and re-carpet, if needed, such Living Accommodation at our expense prior to occupancy.

R. Transfer to Another Living Accommodation. You may move to a different Living Accommodation at Salemtowne, when it becomes available, upon payment of such fees, consent by the Corporation, and compliance with such guidelines regarding transfers as may be adopted by the Corporation. Salemtowne reserves the right to amend such policies, guidelines, and fees, at its discretion.

If you transfer to another Living Accommodation, you are responsible for paying any difference in the Entrance Fee, if the amount of the Entrance Fee of the new Living Accommodation is greater than the Entrance Fee for the previous Living Accommodation to be vacated. If the Entrance Fee for the new Living Accommodation is smaller than the Entrance Fee for the previous Living Accommodation to be vacated, no refund will be paid for the difference.

S. Room or Unit Assignment in Assisted Living Center, Westerly Place, or Health Care Center. You understand that you acquire no ownership in any property at Salemtowne under this Agreement; also, that no particular room or unit in the Assisted Living Center, Westerly Place, or the Health Care Center is subject to reservation or permanent assignment, and that we may change your room or unit assignment in the Assisted Living Center, Westerly Place or the Health Care Center. Though we retain the right to change your room or unit assignment, we agree that we will make changes only as we find such changes to be necessary or advisable.

T. Moving Costs. You are responsible for arranging and paying for all packing and moving costs for moves into, within, and out of Salemtowne. Assistance may be provided by Salemtowne at an additional cost.

U. **Pets**. Residents may bring pets to Salemtowne if they complete necessary paperwork, pay the current pet deposit, and follow current policies and guidelines. “Pets” shall be defined as household dogs, cats, tropical fish, or caged birds. No other animals will be permitted without written approval from the Corporation. Pets must be approved by Salemtowne prior to bringing the pet on campus. Pets may not be a nuisance or pose a health or safety risk to other residents or staff of Salemtowne and must be properly cared for at all times. Failure to comply with the pet policy may necessitate the removal of the pet from the Community. If the pet is not removed after a removal request has been made by the Corporation, Salemtowne reserves the right to terminate this Agreement. You shall be responsible for all damages caused by your pet, and you agree to have your pet in control at all times when outside of your residence. Salemtowne reserves the right to amend or terminate policies and guidelines related to pets at its discretion.

V. **Smoking, Vaping & Tobacco Products**. Salemtowne is a “Tobacco Free” Community. Smoking, vaping, and use of tobacco products are not permitted anywhere on Salemtowne property including, campus buildings (Babcock Health Care Center, Assisted Living Center, and Community Center, etc.), building entrances, or common areas. The only exceptions are:

- Independent Living Residents and their personal visitors may continue to use these products in their own private residences. In the event concentrated oxygen is required by the Resident, smoking will no longer be permitted in that residence.
- The Health Care Center Administrator may permit smoking for a Resident, if so, a designated smoking area would be created outside. However, the prohibition will remain in effect for a family member or caregiver who may accompany the Resident to the designated area.

W. **Absences**. Monthly/Daily Fees are not subject to change or credit if a Resident is away from the Living Accommodation for any period of time for Assisted Living or the Health Care Center. (For example, vacations, hospital stays, etc.)

You agree to inform Salemtowne (Clinic, Billing Office & Dining Services) when you are going to be away for three (3) days or more and to give us the names of people we can contact in an emergency. In order to provide adequate time for medications to be available, if applicable, you must provide at least 24 hours advance notice of an absence.

You will be entitled to an “away” discount on your Independent Living Monthly/Daily Fee when You (and the 2nd Resident, if applicable) are (both) away from your Independent Living Residence for more than thirty (30) consecutive days in accordance with the program in place at the time of the absence. The “away” discount program is subject to change. No credit or additional carry forward for missed meals will be given during absences. The amount of the “away” discount can be found in the current Schedule of Fees.

V. **TRANSFERS OR CHANGES IN LEVELS OF CARE**. (A change in Living Accommodations within independent living or to the Assisted Living Center, Westerly Place, or the Health Care Center will require no additional residence and services agreement. This

Agreement will remain in effect, subject to any applicable amendments referred to in this Agreement.)

- A. Transfer to Health Care Center, Westerly Place or Assisted Living Center.** You agree that the Corporation shall have authority to determine that you should be transferred from your Living Accommodation to the Health Care Center, Westerly Place or the Assisted Living Center or a separate area within each center. Such determinations shall be made by solely by Salemtowne and based on the professional opinion of the Resident's physician and the Resident Review Committee. This determination, when possible, shall be made after consultation with the Resident, the Resident's physician, a representative of the Resident's family, or the Resident's responsible party.

In the event that you are permanently transferred to the Assisted Living Center, Westerly Place, or the Health Care Center, your Entrance Fee will not be subject to refund at the time of the transfer. Entrance Fees are subject to refund when a resident leaves the community in accordance with section VI.

- B. Transfer to Hospital or Other Facility.** If it is determined by your physician that you need care beyond that which can be provided by Salemtowne you may be transferred to a hospital, center, or institution equipped to give such care, which care will be at your expense. Such transfer will be made only after consultation to the extent practical with the Resident, the Resident's physician, a representative of the Resident's family, or the Resident's responsible party.

In the event it becomes necessary for you to be transferred to a hospital, Salemtowne will provide any information available to meet the provisions of any hospital admissions agreement, and you agree that Salemtowne has the right to provide such information, which may include part or all of your records.

- C. Surrender of Living Accommodation.** If a determination is made by the Corporation that any transfer described in this Section is permanent in nature, you agree to surrender the Living Accommodation and any storage areas, which were occupied by you prior to such transfer, within 30 days of the determination.

You are responsible for the costs of transfer and moving as well as the Monthly/Daily Fee through the last day of occupancy of the Living Accommodation being vacated. For the purposes of this Section V. C., occupancy is defined as the last day that a Resident either resides in the Living Accommodation or the last day that the Resident's furnishings or belongings occupy the Living Accommodation or a storage area at Salemtowne.

If the Corporation subsequently determines based upon the opinion of your physician that you can resume occupancy in accommodations comparable to those occupied by you prior to such transfer you shall have priority to such accommodations as soon as they become available, and you will be responsible for applicable fees as determined by the Corporation.

VI. TERMINATION AND REFUND PROVISIONS

- A. Termination Prior to Occupancy.** This Agreement may be terminated by you at any time prior to taking occupancy at Salemtowne for any reason by giving written notice to the

Corporation. This Agreement will automatically be canceled due to death or physical or mental conditions that would make you ineligible for entry to Salemtowne.

This Agreement may be terminated by the Corporation at any time prior to the date that you take occupancy if the Corporation determines that you do not meet the physical, mental or financial requirements for entry or if it is determined by the Corporation that you have misrepresented or omitted medical, financial, or other information given to the Corporation during the application process.

In the event of such termination (including death, illness, injury, or incapacity), you shall receive a refund of the Entrance Fee paid in accordance with Section II. Any such refund shall be paid by the Corporation within sixty (60) days following termination pursuant to this paragraph.

B. Voluntary Termination. Except as provided in subsection A of this Section VI., you may terminate this Agreement at any time by giving the Corporation written notice of such termination. Fourteen (14) days advance notice is required for independent living, Westerly Place and the Assisted Living Center, and five (5) days advance notice is required for the Health Care Center. If required notice is given, or if no written notice is given, you will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full notice period and for each day of occupancy, except you shall only be charged for the days of occupancy when a delay in discharge or transfer would jeopardize your health or safety or that of others at Salemtowne. Any refund of the Entrance Fee due to the Resident following voluntary termination of this Agreement will be made in accordance with Section II A.

C. Abandoned Living Accommodation. You may be deemed to have abandoned the Living Accommodation and terminated this Agreement if you do not occupy a residence at Salemtowne for a period of one continuous year.

In the event of such termination (including death, illness, injury, or incapacity), you shall receive a refund of the Entrance Fee paid in accordance with Section II. Any such refund shall be paid by the Corporation within sixty (60) days following termination pursuant to this paragraph.

D. Temporary Absence. Temporary absence because of illness, trips, or other will not affect your rights to retain occupancy of your Living Accommodation, as long as applicable Monthly/Daily Fees are paid.

E. Termination Upon Death. In the event of your death and you are not survived by a co-Resident residing at Salemtowne, who has signed this Agreement, this Agreement shall terminate and, subject to your continuing obligations described herein, the portion, if any, of the Entrance Fee paid by you to be refunded shall be determined in the same manner described in Section II. herein.

Any refund to which you are entitled shall be paid to your Estate unless you execute a designation and name a trust revocable by you at the time of your death to receive applicable refunds. Should you execute a revocable trust subsequent to signing this Agreement, you or your estate's executor may submit a written beneficiary designation

form designating a trust, revocable by you at the time of your death, to receive applicable refunds.

In the event of your death and you are survived by a co-Resident residing at Salemtowne who has signed this Agreement, then this Agreement shall not terminate, and no refund will be payable.

In the event a refund becomes due, the date that the deceased Resident's responsible party/estate executor removes all personal belongings from the Living Accommodation shall determine the termination date. Any refund due to the Resident's estate under this paragraph will be made at such time as such Resident's Living Accommodation shall have been reserved by a prospective Resident and such prospective Resident shall have paid to the Corporation such prospective Resident's full Entrance Fee; provided, however, that the Resident's estate shall continue to be obligated to pay the applicable Monthly/Daily Fee for such Resident's Living Accommodation until such Resident's Living Accommodation is vacated and left in good condition except for normal wear and tear.

- F. Termination by the Corporation.** We may terminate this Agreement at any time (i) if there has been a material misrepresentation or omission made by you during the application process; (ii) if you fail to make payment to the Corporation of any fees or charges due to the Corporation within thirty (30) days after receiving written notice of your failure to pay such fees or charges; (iii) if you do not abide by the rules and regulations adopted by the Corporation or breach any of the terms and conditions of this Agreement; (iv) if the health or safety of other individuals in the Corporation is endangered if you remain in Salemtowne, as determined by a physician, physician assistant or nurse practitioner; (v) the discharge is necessary for your welfare and your needs cannot be met by the Corporation as documented by your physician, physician assistant or nurse practitioner; (vi) if you refuse to relocate as may be required by the Corporation in accordance with this Agreement; or (vii) you engage in activities or conduct disruptive to the Community.

In addition, Resident hereby acknowledges that it is the policy of Salemtowne 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 Salemtowne and again prior to entering into a Residence and Services Agreement. If the screening shows that the prospective resident is identified as a sex offender, Salemtowne will deny admission of the prospective resident on that basis and not execute a Residence and Services Agreement. In addition, Resident hereby acknowledges and agrees that if, after Salemtowne and Resident have entered into a Residence and Services Agreement, Salemtowne becomes aware that Resident is listed on any sex offender registry, Salemtowne may terminate this Agreement with Resident and remove Resident from Salemtowne. 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.

Following termination of this Agreement pursuant to this Section VI.F., you will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full notice period and for each day of occupancy. Any refund of the Entrance Fee due to the Resident following voluntary termination of this Agreement by the Corporation will be made in accordance with this Section VI.

Except in cases of emergency, you will receive a notice of the termination by the Corporation at least thirty (30) days prior to the effective date of termination. You may be entitled to appeal the Corporation's decision to terminate this Agreement, and except in cases of emergency, the Corporation will not discharge you before the final decision resulting from the appeal has been rendered.

G. Condition of Living Accommodation. At the effective date of termination of this Agreement, you will vacate the Living Accommodation, including any storage areas at Salemtowne, and will leave both in good condition except for normal wear and tear. You, or your estate, will be liable to the Corporation for any costs incurred in restoring the Living Accommodation and storage areas to good condition except for normal wear and tear. Such costs may be deducted from any refundable portion of the Entrance Fee due to you or your estate, if any.

H. Removal of Personal Property. In the event of termination of this Agreement, you agree to surrender the Living Accommodation and any storage areas, which were occupied by you within thirty (30) days of the notice of termination.

The Corporation reserves the right to remove your belongings from the Living Accommodation and any storage areas. You will pay a reasonable storage fee or the actual cost of external storage, whichever is applicable. The Corporation is not responsible for any damages incurred to your property if storage becomes necessary. Unclaimed property will become the property of Salemtowne after thirty (30) days following the termination of this Agreement and will be disposed of at the sole discretion of the Corporation.

In the event of your death, while you are a Resident of Salemtowne under this Agreement, only the executor(s) named in your Will (or such person or entity designated by such executor(s)) will be allowed to remove or dispose of your furnishings and belongings in your Living Accommodation and any related storage areas at Salemtowne. Members of your family or those to whom you have granted Power of Attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

I. Refund.

1. Refund of Entrance Fee. You or your estate, or a revocable trust designated by you, may be entitled to a refund of the Entrance Fee, provided you or your estate have met all of your obligations under this Agreement. Your refund, if applicable, shall be calculated in accordance with the following:

- **Standard Refund Entrance Fee.** Your Entrance Fee refund, if applicable, shall be equal to the Entrance Fee less a non-refundable fee of four percent (4%) of the Entrance Fee; the remaining balance is subject to amortization of two percent (2%) for each month of occupancy, as defined herein, for up to forty-eight (48) months, except for any unpaid non-standard costs and accrued expenses that will be deducted. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. No refund of the Entrance Fee

shall be paid after forty-eight (48) months of occupancy. You will not receive a refund of any amounts paid for non-standard features added to the Living Accommodation.

- **50% Refund Entrance Fee.** Your Entrance Fee refund, if applicable, shall be equal to the Entrance Fee less a non-refundable fee of four percent (4%) of the Entrance Fee; the remaining balance is subject to amortization of two percent (2%) for each month of occupancy, as defined herein, for up to twenty-three (23) months. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. The refunded Entrance Fee will never be less than 50% of the original Entrance Fee, except for unpaid non-standard costs and accrued expenses that will be deducted. You will not receive a refund of any amounts paid for non-standard features added to the Living Accommodation.
- **90% Refund Entrance Fee.** Your Entrance Fee refund, if applicable, shall be equal to the Entrance Fee less a non-refundable fee of four percent (4%) of the Entrance Fee; the remaining balance is subject to amortization of one percent (1%) for each month of occupancy, as defined herein, for up to six (6) months. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. The refunded Entrance Fee will never be less than 90% of the original Entrance Fee, except for unpaid non-standard costs and accrued expenses that will be deducted. You will not receive a refund of any amounts paid for non-standard features added to the Living Accommodation.

The cost to repair damages to the Living Accommodation and storage areas in excess of normal wear and tear, the cost of storage paid by the Corporation and any amounts due and unpaid relating to the cost of care provided by Salemtowne or any third party health care provider, including without limitation, the Monthly/Daily Fee or other amounts payable to Salemtowne which remain outstanding and the amount of any charges due by Salemtowne on behalf of the Resident, or by the Resident, to the pharmacy, rehabilitation services or any other third party, will be deducted from any applicable refund.

Any refund due you under this paragraph will be made within thirty (30) days from the date that your Living Accommodation shall have been reserved by a prospective Resident, and such prospective Resident shall have paid to the Corporation such prospective Resident's full Entrance Fee.

If, after an extended period of time, a Living Accommodation has not been reoccupied, the Corporation may return, in its sole discretion, the applicable refundable portion of your Entrance Fee, to you or your estate. If a refund is returned prior to a former Living Accommodation being reoccupied, it will be reduced by ten percent (10%) of its original value.

Entrance Fees will not be refunded upon transfer to the Assisted Living Center or the Health Care Center.

2. **Refund of Fee Related to Cost of Care.** You or your estate, or a revocable trust designated by you may be entitled to a refund of that portion of the fee which is related to the cost of health care services provided by Salemtowne or any third party health care provider less any amounts payable to Salemtowne or any third party health care provider through the date the refund is due hereunder. In the case of your death, any refund of the amount of the fee related to the cost of health care services provided by Salemtowne will be made no later than thirty (30) days from the date of your death.

If the Agreement is terminated by the Corporation in an emergency situation (i.e., because the Corporation is no longer able to meet your urgent health care needs, or termination is necessary to protect your health and safety or that of another person at Salemtowne), the refund of the amount of the fee related to the cost of health care services will be made within fourteen (14) days after you leave Salemtowne.

If you terminate this Agreement, any refund shall be made within fourteen (14) days from the date of notice of termination or, if no notice is given, within fourteen (14) days after you leave Salemtowne.

Nothing in this Section shall apply in the event of a transfer to the Assisted Living Center or the Health Care Center.

- J. **Release from Obligations Upon Termination.** Upon termination of this Agreement, Salemtowne is released from any further obligations to you except for the payment of any refund which may be due under this Agreement.

VII. **RIGHT OF RESCISSION**

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by you 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 in an amount equal to the Entrance Fee less a non-refundable fee of four percent 4% of the Entrance Fee less any Monthly/Daily Fees (in accordance with Section II herein) or portion thereof applicable to any period a Living Accommodation or storage area was actually occupied by you or your belongings less any unpaid non-standard costs and accrued expenses. In the event of such rescission, you shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. You will not be required to move into Salemtowne before the expiration of such thirty (30) day period. Notwithstanding anything to the contrary in this Agreement, any such refund shall be paid by the Corporation within fourteen (14) days following receipt of written notice of rescission pursuant to this paragraph.

VIII. **FINANCIAL ASSISTANCE**

- A. **Subsidy.** In connection with its charitable mission, it is the desire of the Board of Trustees of Salemtowne that no one leave Salemtowne because of lack of funds. Any disposition of Resident's assets in any way other than for care at Salemtowne or related living/medical expenses to the extent that Resident cannot adequately provide for Resident's expenses or

care will nullify this desire on the part of Salemtowne and entitle Salemtowne to terminate Resident's right to reside in Salemtowne.

Salemtowne will make reasonable efforts to acquire the funds necessary to meet Salemtowne's fees for care. However, the resources of Salemtowne to provide care for Residents are not unlimited, and Salemtowne reserves the right to terminate the residency of any person, including Resident, who cannot pay the full cost of Salemtowne's Monthly/Daily Fees and charges, and other costs in connection with such person's stay at Salemtowne.

In the event that a Resident presents facts which in the opinion of the Corporation justify special financial consideration, the Corporation will give careful consideration to subsidizing in whole or in part the Monthly/Daily Fees and other Salemtowne charges payable by the Resident hereunder so long as such subsidy can be made without impairing the ability of the Corporation to attain its objectives while operating on a sound financial basis.

In the event that the Corporation may subsidize in whole or in part the Monthly/Daily Fees and other Salemtowne charges payable by the Resident hereunder, the Resident will be required to execute a separate Financial Assistance Agreement with the Corporation.

In the event that we continue to provide the services to you under the terms of this Agreement despite your financial inability to continue to pay the Monthly/Daily Fee or other Salemtowne charges payable under the terms of this Agreement, Salemtowne shall be entitled to require you to move to a smaller or less costly Living Accommodation.

Any determination by the Corporation with regard to the granting or continuation of financial assistance shall be within the sole discretion of the Corporation, under a separate agreement.

- B. Recovery of Subsidies Provided by Salemtowne.** When a Resident dies or moves out of the community if said Resident's fees have been subsidized wholly or partly by Salemtowne, the Resident or Resident's estate, if any, will be liable to Salemtowne for the full amount of the subsidy the Resident received for the entire time of residency. This paragraph will apply whether or not the Resident is in residence at Salemtowne at the time of death. This Agreement will operate as a lifetime assignment, transfer, and conveyance to Salemtowne of so much of Resident's property as is necessary to cover such liability. Any amount due Salemtowne under this paragraph may be deducted from any refund payable to Resident or to the Resident's estate.
- C. Financial Assistance Funds.** The Corporation has established funds which will be used to assist Residents who would otherwise not be able to live at Salemtowne. Such funds may be used for the purposes of providing financial assistance, but no Resident shall have any claim to or expectation of receiving or continuing to receive any such assistance.

IX. GENERAL

- A. **Compliance with Applicable Laws.** Resident and Salemtowne will comply 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 to the facilities, services, and programs of the Corporation are personal to you and may not be transferred or assigned by you or otherwise.
- D. **Resident has no Tenancy Interest or Management Rights in Salemtowne.** The absolute rights of management are reserved by the Corporation, its Board of Trustees, and its administrators as delegated by said Board of Trustees. The Corporation reserves the right to accept or deny any person for residency. Residents do not have the right to determine entry or terms of entry of any other Resident. Salemtowne reserves the right to amend, implement or terminate policies and/or guidelines related to the operation of the community at its sole discretion.

Subject to the terms and conditions of this Agreement, this Agreement gives Resident the right to live in Salemtowne and to receive or have access to the services and amenities described in the Agreement. However, it does not give Resident the rights of a "tenant" as that term is defined by North Carolina state law. Salemtowne retains the exclusive authority to make all management decisions with regard to the management of Salemtowne, including decisions about admission and discharges, setting charges, Salemtowne's policies and procedures, and the scope of services offered by Salemtowne, consistent with state law and the terms of this Agreement.

- E. **Uncontrollable Interruption of Service.** No breach of Salemtowne's obligations under this Agreement and no liability for injury to you shall result from an interruption of, or failure to provide, the contracted services under this Agreement due to an act of God or other cause beyond the reasonable control of Salemtowne, specifically including, but not limited to, strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquake, inclement weather, epidemic or pandemic, or acts of the Resident.

- F. Moravian Affiliation.** Salemtowne is affiliated with the Moravian Church in America, Southern Province (“Southern Province). The Southern Province is not responsible for the financial and contractual obligations of Salemtowne.
- G. 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 or those of your guests, including private duty nurses, companions, or other.
- H. Limitation on Liability.** You understand and agree that the services provided by the Corporation and others within Salemtowne are not designed to protect you from the everyday, normal risks and responsibilities of living, including, but not limited to, such general accidents and situations such as falling, choking on food, and weight loss and/or dehydration resulting from your failure to partake of food and drink. Additionally, you understand and agree that the services provided by the Corporation do not include one-on-one monitoring of you and that your expectations will be consistent with this understanding. The Corporation shall exercise reasonable care toward you based on your known condition. However, you agree that the Corporation is not an insurer of your welfare and safety. You agree that you will exercise due care to protect yourself from harm.
- I. 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.
- J. Resident Contracted Services.** If you wish to privately employ outside assistance, including Salemtowne employed staff, for whatever reason, all Salemtowne policies must be upheld, and prior written approval by Salemtowne management must be obtained. You agree to hold Salemtowne harmless in all situations related to the provisions of such outside services. The Corporation has the right to require termination of such a service at any time.
- K. Resident Handbook.** You will be given a current copy of the Resident’s Handbook as adopted by the Corporation. You understand that these documents will change from time to time.
- L. Entire Agreement.** This Agreement constitutes the entire contract between the Corporation and Resident. 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 Salemtowne’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.
- M. 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.

- N. Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, trustee, agent, or employee of ours shall have any personal liability hereunder to you under any circumstances. If Resident is, or becomes, unable to understand or communicate his or her health care or financial decision, and is determined by Resident's attending physician to be incapacitated, then in the absence of Resident's prior designation of an authorized legal representative, or upon the unwillingness or inability of a designated legal representative to act, Salemtowne shall have the right to commence a legal proceeding to adjudicate Resident incapacitated and to have a court appoint a guardian for Resident. The cost of the legal proceedings, including attorneys' fees, shall be paid by Resident or Resident's estate.
- O. Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement.
- P. Amendments and Partial Invalidation.** Generally, this Agreement can be changed only by mutual written consent. However, the Corporation reserves the right, upon thirty (30) days prior written notice to Resident, to modify or amend this Agreement whenever doing so is necessary to correct errors, omissions, or inconsistencies, to provide clarification of intent, or to conform the documents to the requirements of local, state, or federal laws and regulations applicable to the Corporation, in particular, or to residential life care communities, in general, or whenever doing so is deemed by the Corporation to be in the best interest of the Corporation and the residents in light of changes in health insurance laws and coverages and/or local, state or federal tax laws or regulations.
- Q. 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.
- R. Gender.** Throughout this Agreement, the use of the masculine gender shall include the feminine, and the use of the 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. 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.

- U. **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 Resident to pay costs or expenses of his or her stay at Salemtowne that remain unpaid as of such termination.
- V. **Notice Provisions**. Any notices, consents, or other communications to the Corporation hereunder (collectively “notices”) will be in writing and addressed as follows:

Salemtowne:

Office of the President/CEO
Salemtowne
1000 Salemtowne Drive
Winston Salem, North Carolina 27106

Resident:

Your address for the purpose of giving notice prior to your move to Salemtowne is the address appearing after your signature below. Your address for the purpose of giving notice after your move to Salemtowne will be the current Living Accommodation address at the applicable time. You are responsible for notifying us of any changes in address and/or telephone number.

[Signatures Follow on Next Page]

Salemtowne 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.

THE UNDERSIGNED RESIDENT(S) ACKNOWLEDGES RECEIPT OF SALEM TOWNE’S CURRENT DISCLOSURE STATEMENT. 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 SALEM TOWNE, WHICHEVER OCCURRED FIRST.

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 _____, _____.

| SALEM TOWNE | RESIDENT(S) (or Resident(s)’s Attorney in Fact) (*) |
|-------------------------|--|
| _____ By (signature) | _____ (signature) (SEAL) |
| _____ Printed Name | _____ (signature) (SEAL) |
| _____ Title | _____ Current Address: Street _____ City, State, Zip Code _____ Telephone |

(*) If Attorney-in-Fact signs on behalf of the Resident(s), a Filed Power of Attorney document must be attached to this Agreement.

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Appendix B2

Navigation at Home Member Services Agreement



Navigation

AT HOME

PROTECTION | COORDINATION | CARE

Member Services Agreement

Member: _____

Address: _____

Check Plan Selected:

- All Inclusive Plan
- All-Inclusive Plus Plan
- Enhanced Plan
- Classic Plan
- Access Plan

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MEMBER SERVICES AGREEMENT

This Member Services Agreement (together with all attachments, exhibits and schedules attached hereto and incorporated herein the “Agreement”) is made this ___ day of _____ 20__ (“Effective Date”) by and between MORAVIAN HOME, INCORPORATED d/b/a NAVIGATION AT HOME, a North Carolina nonprofit corporation (hereinafter the “Corporation”), and _____ hereinafter “Member”, “You”), whose place of residence is at “Home”, “Home Site”). Home or Home Site does not include any assisted living, skilled nursing, memory care, rehabilitation, hospice or any other similar unit, accommodation or residence at Salemtowne or any other community or facility.

WHEREAS, Corporation operates a continuing care retirement community (CCRC) located at 1000 Salemtowne Drive in Winston-Salem, North Carolina, known as “Salemtowne”; and

WHEREAS, Corporation has established a program known as Navigation at Home (“Program”) which allows for its members to remain in their private residence while enjoying the traditional benefits of a continuing care retirement community; and

WHEREAS, You desire to become a Member of the Program and to use and enjoy certain facilities, programs and services provided by the Program subject to the terms and conditions of this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Member and Corporation agree as follows:

A. DEFINITIONS

All terms not defined here shall have the meanings ascribed to them in the Agreement, or their common meaning.

ADL (Activities of Daily Living) Deficiencies means deficiencies, as determined by the Care Coordination Team, in activities of daily living, such as bathing, dressing, eating, transferring, walking, mobility, grooming and continence.

Adult Day Care Services means a facility that offers a program of services in a congregate setting for a scheduled number of hours per week. Elements of an adult day care program may include transportation, meals and activities (both health related and social).

Assisted Living Facility is a residential facility licensed by the state of North Carolina for persons in need of assistance with activities of daily living.

Care Coordination Team Comprised of the Program Director (or his/her designee), the Program’s Medical Director (or his/her designee) and other clinical and operational professionals as deemed necessary by the Program. The Care Coordination Team may, at the Program’s sole discretion, change titles and personnel from time to time.

Initials _____
Corporation Member

Care Navigator means the person appointed by the Program to handle the needs of the Member for Services, for conducting assessments and for making recommendations for Services subject to review and final determination of the Member's eligibility for Services by the Care Coordination Team.

Care Plan means the written plan of long-term care services, including type of service, start date, quantity, frequency, duration of service, name of Program-Approved Provider or Facility and any special considerations, which is developed and approved by the Care Coordination Team for Member based on a comprehensive needs assessment. The Care Plan is agreed to and signed by Member.

Companion means a person designated by the Program to provide Companion Services to a Member at the Member's Home, when the Member lives alone or when his or her family is temporarily away from home.

Companion Services means those services provided by a Companion when assistance, such as supervision of activities of daily living (ADLs) and/or medication reminders, is needed. The Companion can also do cooking, dishwashing, laundry, light housekeeping and errands, as well as conversation and social time while present in the Home for eligible services.

Deferred Fees means any fees owed by Member which are to be paid at a later date.

Designated Representative means the person authorized by the Member to make decisions on his/her behalf.

Designated Service Area means the Program's area of coverage for Services, as defined by the Program. The Designated Service Area may be altered from time to time at the sole discretion of the Program. No change in the Designated Service Area by the Program will adversely affect this Agreement.

Determined To Be Appropriate means the Care Coordination Team, utilizing industry standards and accepted standards of healthcare practice, has assessed a Member's medical and functional status and concluded that Services are necessary and will be provided by the Program.

Effective Date means the date set forth in the first paragraph of this Agreement.

Emergency Response System means an in-home 24-hour electronic call system activated by utilizing a device which signals a monitoring company. This system allows a Member who is deemed to be at high risk to secure immediate help in the event of a medical, physical, emotional or environmental emergency.

Facility means Assisted Living Facility or Skilled Nursing Facility.

Facility-Based Services means Services provided in a Facility other than the Home Site, including Assisted Living and Skilled Nursing Facilities.

Home Care Aide or Home Care Agency means a qualified person or provider licensed to provide Home Care Aide Services and designated by the Program to provide Home Care Aide Services to a Member at the Member's Home Site.

Home Care Aide Services may include assistance with bathing and dressing, an established activity regimen, such as range of motion exercises, nutritional needs, such as feeding assistance, and simple maintenance of the Member's environment.

Homemaker is a person designated by the Program to provide Homemaker Services to the Member at the Member's Home Site.

Homemaker Services are services provided by a Homemaker, which may include assistance with day-to-day chore activities in the Home Site, such as cooking, dishwashing, laundry, light housekeeping and errands.

Home or Home Site means the Member's place of residence as specifically indicated in the first paragraph of this Agreement. Home or Home Site does not include any assisted living, skilled nursing, memory care, rehabilitation, hospice or any other similar unit, accommodation or residence at Salemtowne or any other community or facility.

Home Site Services means Services provided by the Program in a Member's Home or Home Site as defined herein.

Long-term Care Insurance Policy means an insurance policy that covers the costs of long-term care services and support and that is acceptable to and approved by the Corporation.

Medical Director means a physician appointed by the Program to oversee the provision of medical and health care services provided to Members.

Medical Record means all records relating to the Member's medical history and condition, which may be maintained by the Program or by a Program Participating Facility or a Program Approved Provider.

Medicare means the Health Insurance for the Aging Act, Title XVIII of the Social Security Amendment of 1965, as amended, and regulations promulgated thereunder in effect from time to time.

Medicare-Covered Services means all hospital, skilled nursing, home care and medical services covered and paid for by Medicare Parts A and/or B and the Member's Medicare Replacement or Secondary Insurance.

Medicare Supplemental Coverage means a private health insurance plan, which is certified by the Secretary of Health and Human Services as meeting federal requirements for Medicare supplemental policies. In general, Medicare Supplemental Coverage, also referred to as Medicare Replacement Insurance or Secondary Insurance, pays some of the balance of the costs of care covered by Medicare parts A and B when full costs are not paid by Medicare. It pays for certain deductibles and copayments.

Member means the person accepted into the Program having signed a Member Services Agreement and paid the Membership Fee.

Member's Designated Representative means any person appointed and documented by Member to represent Member's interests, or granted a power of attorney or appointed guardian by a court.

Permanent Member means a Member who has resided in an Assisted Living or Skilled Nursing Facility for 100 consecutive days, and has been determined to be a Permanent Member with respect to such Facility by the Care Coordination Team.

Program-Approved Provider means a health care services firm having an agreement with the Program to supply Services to Members.

Program-Participating Facility means an Assisted Living or Skilled Nursing Facility having an agreement with the Program to supply Facility-Based Services to Members.

Program Plan means the All Inclusive, All Inclusive Plus, Enhanced, Classic Plan or Access Plan selected in this Agreement. The names of the Program Plans may be changed by the Corporation from time to time.

Provide means that the Program will directly, or through a Program-Participating Facility or other provider make Services available at the Program's cost, subject to any applicable copayments and deductibles or other costs to be paid by the Member as set forth in this Agreement, including Attachment A.

Referral Service means a service provided under the Program whereby the Program, acting as an intermediary between Member and third party vendors of such services, makes referrals to Member for such services as he/she may choose, **at costs payable in full by Member.**

Residential Healthcare means a Skilled Nursing Facility having an agreement with the Program.

Services mean care coordination, Member home inspection, Home Site Services (including home health care, Homemaker Services, Companion Services, Emergency Response System, meals and Adult Day Care), Facility-Based Services (including Assisted Living and Skilled Nursing), limited transportation services, Referral Services and lifestyle and wellness programs, that are provided to Member in the Program subject to the payment of all applicable copayments, deductibles, fees, costs and expenses by Member to the Corporation and the provisions of this Agreement.

Skilled Nursing Facility means a facility licensed by the state of North Carolina to provide various levels of nursing or convalescent care.

II. ACCOMMODATIONS AND SERVICES

By execution of this Agreement and subject to the payment of any and all applicable co-

payments, deductibles, fees, costs and expenses by the Member to the Program, the Program will provide to Member the Services described in this Agreement and in Attachment A, in a manner consistent with the objective of enabling Member to maintain his or her own living arrangement in their Home for as long as is practical and to assist in arranging for Facility-Based Services if needed.

Member agrees to accept and pay for the Services in the manner set forth in this Agreement, including but not limited to Attachment A, and to abide by the rules and regulations of the Corporation and Program with respect to the Services, which such rules and regulations may be changed fromtime-to-time by the Program.

Program agrees to provide Member the Services set forth below and included in Attachment A, to the extent provided for in the Program Plan selected by the Member and subject to the terms and conditions set forth in this Agreement, including, but not limited to, the payment of all applicable copayments, deductibles, fees, costs, and expenses to the Program by the Member.

- A. **Residence.** Subject to the terms and conditions of this Agreement, Member shall remain in his or her existing Home or subsequent Home of his other choice within the Designated Service Area to remain eligible for all Services of the Program.
- B. **Relocation from Designated Service Area.** Member may request to permanently relocate from the Designated Service Area after one year of Membership. Approval of requests to provide Services outside the Designated Service Area are at the sole discretion of the Program and will be based on the ability to provide Services as well as current regulations. As of the date of this contract, Department of Insurance regulations do not allow the Program to provide Services to Members who have permanently relocated outside of the State of North Carolina. If the request is not approved or the Member permanently relocates outside the State of North Carolina, membership will be terminated in accordance with Section VII.B.
- C. **Relocation to Independent Living at Salemtowne.** Should the Member desire to become a resident of Salemtowne continuing care retirement community, the Member will be subject to, and shall comply with, the entry requirements of the retirement community and applicable payment of fees including, but not limited to, providing the Corporation updated medical and financial information in order to determine Member's ability to live independently and to afford the additional entry fee and higher monthly service fees required for residency in the particular reserved unit. The Corporation reserves the right to decline Member's admission to Salemtowne for residency if Member's 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. Member shall have the right to continue or terminate this Agreement. Should Member terminate this Agreement upon moving into an Independent Living unit at Salemtowne, a portion of the Membership Fee made pursuant to this Agreement may be credited towards any future Salemtowne retirement community entry fees as more specifically set forth in Section VIII.D of this Agreement.
- D. **Care Coordination.** Under the direction of the Care Coordination Team, in consultation

with the Member and/or the Member's Designated Representative, the Program shall prepare a Care Plan to meet the Member's particular needs from time to time during the term of this Agreement. All decisions involving the Member's participation in various medical and health care services or temporary or permanent transfer from the Home Site to Facility-Based Services will be made by the Care Coordination Team following consultation with the Member or the Member's Designated Representative. The amount of the copayments, deductibles, costs, fees and expenses covered by the Program for such care coordination services is set forth in Attachment A hereto. All costs, fees and expenses not covered by the Program are the responsibility of the Member.

- E. **Member Home Inspection.** During the first year of membership and every other year thereafter (unless circumstances of a Member's health condition justify more frequent inspections), Program will provide a functional inspection of the Home Site for the purpose of ascertaining any functional and safety problems, and will make recommendations to the Member based on the inspection. Program may require, based on circumstances of previous inspections or Member's health condition, that the Member permit Program to provide a functional inspection of the Home Site. Program does not, however, represent that it will undertake steps necessary to effectuate any of such recommendations. Any recommended changes or corrections are the Member's sole responsibility. It is the Member's choice to make such recommended changes or corrections to his/her Home Site. To aid the Member in securing necessary goods or services, Program will make available a list of possible vendors of such goods and services. The Member is solely responsible for the full cost of any of the repairs or improvements to his/her Home Site as a result of the Member's home inspection. If Member refuses any reasonable recommendation of the Care Coordination Team, Program shall have no responsibility or liability for the consequences of such refusal and may terminate the Agreement in accordance to section VII.B. The amount of the copayments, deductibles, costs, fees and expenses covered by the Program for such Home Site inspection services is set forth in Attachment A hereto. All copayments, deductibles, costs, fees and expenses not covered by the Corporation are the responsibility of the Member.
- F. **Home Site Services.** Home Site Services (as more specifically described in items 1 through 5 below) will be provided as Determined To Be Appropriate by the Care Coordination Team. Member must exhibit at least one or more ADL Deficiencies to be eligible for the following Home Site Services, and Member must use a Program-Approved Provider to be eligible for coverage. Program may require an examination by the Medical Director (or his or her designee) to determine eligibility for Home Site Services. The amount of the copayments, deductibles, costs, fees and expenses covered by the Program for such Home Site Services is set forth in Attachment A hereto. All copayments, deductibles, costs, fees and expenses not covered by the Program are the responsibility of the Member.
1. **Home Care Aide Services.** Program will provide non-Medicare covered home care services, including personal care provided by a licensed Home Care Aide or Home Care Agency as Determined To Be Appropriate by the Care Coordination Team and to the extent provided for in the Program Plan selected by the Member.
 2. **Homemaker Services.** Program will provide Homemaker Services as Determined To Be Appropriate by the Care Coordination Team and to the extent indicated in the Program Plan selected by the Member.

3. **Companion Services.** Program will provide Companion Services as Determined To Be Appropriate by the Care Coordination Team and to the extent indicated in the Program Plan selected by the Member.
 4. **Emergency Response System.** If requested by the Member, the Program will contract for an Emergency Response System for the Member's use at his or her Home Site.
 5. **Meals.** If due to a medical need and if Determined To Be Appropriate by the Care Coordination Team, Program will provide the Member with a maximum of one (1) week of meals after each event causing the medical need.
- G. **Facility-Based Services.** When Determined To Be Appropriate by the Care Coordination Team and prescribed by a physician, Program will provide or cause to be provided, Facility-Based Services, including Assisted Living Facility Services in a semi-private accommodation, Skilled Nursing Facility Services in a semi-private accommodation and/or Adult Day Care Services. Entry to such facilities may require a physician's order. Program may require the order to be given by the Program's Medical Director (or his/her designee) for eligibility for Facility- Based Services.

As Determined To Be Appropriate by the Care Coordination Team, these Facility-Based Services will be provided either in Salemtowne's Assisted Living or Skilled Nursing Facility, or in other Program-Participating Facilities. Any and all copayments, deductibles, costs, expenses and fees relating to the provision of Facility-Based Services, including Assisted Living Facility Services, Skilled Nursing Facility Services and/or Adult Day Care Services, including, but not limited to, any ancillary charges such as laundry, prescription drugs, medical supplies, telephone, television, or internet, shall be the sole responsibility of the Member to the extent provided for in the Program Plan selected by the Member.

- H. **Transportation Services.** If the Member is unable to drive or instructed by his/her physician not to drive, Program will provide transportation to and from medically necessary out-patient procedures. This does **not** include transportation via ambulance or for regular physician office visits, dialysis, and routine specialist appointments. The amount of the copayments, deductibles, costs, fees and expenses covered by the Program for such transportation services is set forth in Attachment A hereto. All copayments, deductibles, costs, fees and expenses not covered by the Program are the responsibility of the Member.
- I. **Common Facilities.** Member shall have access to certain common facilities that are otherwise available for the use and benefit of residents of Salemtowne retirement community, which may include a central dining room, library and computer center, heated swimming pool, chapel, multi-purpose auditorium, lounges, arts and crafts room, and others as described in the then current literature. Use of the common facilities will be available for use by the Member where there is capacity and such use shall be subject to change or restriction from time to time at the sole discretion of the Program. Member will be responsible for dining and applicable activity charges.
- J. **Lifestyle and Wellness Programs.** Lifestyle and wellness programs will be offered from time to time, free of charge or with an applicable fee for service, including but not limited to, exercise classes, wellness seminars, speakers and day excursions. Members will be

advised of the schedules and the cost of these programs on an as-offered basis.

- K. **Activities and Leisure Events.** The Program, from time to time, may provide planned and scheduled social, recreational, spiritual, educational, cultural, leisure, arts and crafts, exercise, health, day excursions, and other special activities or programs designed to meet the needs of the Members. Such activities and events are subject to change from time to time. Some of these activities and events may include a fee. Member will be responsible for these additional fees, if any.
- L. **Referral Service For Non-Covered Services.** A Referral Service for services not covered by the Program is available to the Member. These may include landscape maintenance, legal, financial planning, home maintenance and rental of medical equipment. All services provided by any referred vendor is between the Member and the vendor, and the Corporation and the Program are not responsible for the provision or payment of these services.
- M. **Other Services and Programs at Additional Charge.** Other services and programs will be available to the Member at the Member's expense, including but not limited to private transportation, catering, and other special services. The availability and charges for additional services are determined by Program.

III. AGREEMENT REQUIREMENTS AND PROCEDURES

- A. **Condition of Membership.** Navigation at Home is available to persons 62 years of age or older who meet all eligibility requirements established by Program. As a condition of membership Member must continue to meet all eligibility requirements established by Program, including but not limited to qualifications to ensure that Program can accommodate Member's health needs through the Program. Member agrees to provide such additional information that Program may require from time to time to supplement the Application.
- B. **Representations.** The Member affirms that the representations made in the Membership and Financial Applications and Personal Health History form are true and correct and may be relied upon by the Program as a basis for entering into this Agreement.
- C. **Medical Insurance.** Member agrees to obtain and maintain in force, at Member's expense, the maximum coverage available to Member under Medicare Parts A and B, and one Medicare supplemental insurance policy or a Medicare Replacement Plan approved by the Program. If Member is not eligible for any of the above plans, Member will obtain and maintain in force a health insurance policy approved by the Program that is equivalent to both Medicare parts A and B, and supplemental coverage. If Member fails to arrange for or maintain such medical insurance coverage, Program may, in Program's sole discretion, terminate this Agreement. Should Member fail to obtain or maintain the insurance required by the Program, Member shall be responsible for any portion of such expense that would have been covered by this insurance. Member shall furnish to Program evidence of such coverage at any time upon request. All changes in insurance coverage must be submitted in writing to the Program within ten (10) calendar days.

D. Long-term Care Insurance (All Inclusive Plus Plan Only).

1. If Member has selected the All Inclusive Plus Plan under this Agreement as indicated in Section V.A. of this Agreement, Program has agreed to a discounted Monthly Fee (see Section V. B. and Attachment A) in consideration for Member obtaining and maintaining a Long-Term Care Insurance Policy and for future payments to Program from the Long-Term Care Insurance Policy for Services rendered to Member by Program.
2. Member agrees to obtain and maintain in force at all times during the term of this Agreement, at Member's expense, a Long-Term Care Insurance Policy. Member shall furnish to Program evidence of such coverage at any time upon request. All changes in insurance coverage must be submitted in writing to Program within ten (10) calendar days of any such change.
3. Member agrees to file claims with the Long-Term Care Insurance Policy and, when possible assign payment to the Program. The Program will provide all needed documentation for claims and facilitate the processing of claims. Reimbursement from the Long-Term Care Insurance Policy shall become the property of Program to the extent that Program has provided Services to Member. Member hereby assigns to the Program payments made under the Long-Term Care Insurance Policy in an amount equal to the cost of Services either rendered by the Program to Member or rendered by a Program-Approved Provider or Program-Participating Facility and paid for by the Program. If Member receives payment under the Long-Term Care Insurance Policy, he or she shall pay such amount to the Program as reimbursement for all costs incurred by the Program in providing Services to Member. The Program may, but shall not be required to, pay on Member's behalf premiums in connection with the Long-Term Care Insurance Policy, and Member agrees to reimburse Program for the cost of such premiums paid by Program. Any payments the Member receives directly from their Long Term Care Insurance described above are immediately due and payable to the Program and, if not provided, are subject to the Termination provisions in section VII.B.
4. If Member fails to arrange for or maintain such Long-Term Care Insurance Policy, Program may, in Program's sole discretion, terminate this Agreement as outlined in Section VII.B. of this Agreement; provided, however, that prior to terminating this Agreement, Member shall have ten (10) calendar days to either (i) reinstate Member's Long-Term Care Insurance Policy or obtain a new Long-Term Care Insurance Policy or (ii) pay Program an amount equal to: (x) the aggregate amount of the discount Member has received, which will be calculated by multiplying the monthly discount set forth on Attachment A by the number of months that have elapsed from the Effective Date of this Agreement to the date that is ten (10) calendar days after the date Member's Long-Term Care Insurance Policy was terminated or discontinued ("Measurement Period"); less (y) the aggregate amount of all payments Program has received from the Long-Term Care Insurance Policy during the Measurement Period for Services provided to Member under this Agreement ("Net Aggregate Discount"). In the event Member elects to pay Program the Net Aggregate Discount, this Agreement will continue in full force and effect, subject to

the terms of this Agreement; provided, however, Member will no longer pay a discounted Monthly Fee but will pay Program the then prevailing full Monthly Fee without any discount each month during the term of this Agreement.

5. Should Member fail to obtain or maintain the Long-Term Insurance Policy required by the Program at any time, Program shall not be liable and Member accepts full responsibility for payment of any and all Services, which are not covered by the Policy but would have been covered, had the Policy remained in force and which are not included in the All Inclusive Plus Plan as set forth in Attachment A.
 6. In the event this Agreement is terminated by Program pursuant to Section III. D.4. of this Agreement, Member shall forfeit any and all refund under Section VIII of this Agreement.
- E. **Limitation of Liability in Case of Refusal to Leave Home Site.** If the Care Coordination Team determines that the Member should move to a Program Participating Facility for the health and safety of the Member, and Member refuses to make such move, or if a Member refuses any other reasonable recommendation of the Care Coordination Team, the Program shall have no responsibility or liability for the consequences of such refusal, and the Program may terminate this Agreement.
- F. **Accident or Illness Outside of Designated Service Area.** If an accident or illness occurs while Member is outside of the Designated Service Area, Member shall make every reasonable effort to notify the Program as soon as possible. If medical care is required, Member shall arrange to return to Home Site or, if approved by the Care Coordination Team, to a Program Participating Facility as soon as reasonably possible. To the extent provided for in the Program Plan selected by the Member, the Program will be responsible for the costs of nursing care services covered under this Agreement that are incurred by Member in a Skilled Nursing Facility as a result of such accident or illness for a forty-five (45) day period of time after Member is admitted. The Program's responsibility for Skilled Nursing Facility charges will be limited to the then current negotiated private pay daily rate for a private bed for the same level of care at Salemtowne retirement community's Skilled Nursing Facility. Member will be responsible for any and all other costs such as hospital costs, physician fees, and transport, as well as any other costs not specifically stated in this Agreement, which shall be paid by Member or Member's personal insurance.
- G. **Right of Subrogation.** In case of accident or injury to Member caused by third parties, Member agrees to begin suit for damages within three months following written notice by the Program to Member, of the Program's interest in such suit. If Member fails to begin suit, Member hereby grants power of attorney to the Program, which power shall not be affected by the disability of Member, at its election to bring any claims or initiate legal action, if necessary, against the person who has caused injury to Member for compensation for the injury or expenses thereby caused. Member agrees to execute such further authorizations as shall be desirable to prosecute such claims or causes of action. The Program, at its election, may sue on and enforce any cause of action for Member, for injury or damages so resulting, in the name of the Member or in its own name.

After all costs and damages incurred by the Program (including reasonable costs of care furnished to Member by the Program because of such accident or injury) shall have been

paid for and reimbursed to the Program by such subrogation, the balance of any collection made will be refunded or credited to Member's account, or in the event of the death of Member, will be paid to Member's estate. The Program may limit its election as provided above to claims for recovery of the costs incurred by it, and in such event, the Program shall not be obligated to assert any claim of Member arising out of such accident or injury beyond the costs incurred by the Program.

- H. **Annual Physical Examination.** Program encourages Member to undergo an annual physical examination performed by Member's personal physician. Member is responsible for the cost of any such physical examination. Program encourages that a medical report be submitted by Member's personal physician to his/her Care Navigator.

IV. TRANSFERS OR CHANGES IN LEVELS OF CARE

- A. **Transfer to Assisted Living or Skilled Nursing Facility.** The Member agrees that the Program shall have authority to determine if the Member should be transferred from the Member's Home Site to an Assisted Living or Skilled Nursing Facility. Such determination shall be based on a physical and mental assessment to determine the appropriate level of care for the Member and shall be made only after consultation to the extent possible with the Member or the Member's Designated Representative, and the Member's attending physician. All copayments, deductibles, costs of Services in these Facilities will be paid by Member, except as otherwise set forth in this Agreement, including Attachment A, and the Program Plan selected.
- B. **Transfer to Hospital or Other Facility.** Should a Member be diagnosed with a mental disorder (or psychiatric illness), or as having a highly contagious or dangerous disease, or it is determined that their continued presence in their Home Site or Facility where the Member resides is either dangerous or determined to be detrimental to the health or peace of the Member, staff or residents of the Facility, the Program shall have the authority to transfer the Member to a hospital, center, or institution equipped to give such care, which care will be at the expense of the Member. Such transfer of the Member will be made only after consultation to the extent possible with the Member, or in the case of incompetency, with Member's Designated Representative, and the Member's attending physician.
- C. **Permanent Transfer From Living Accommodation.** A Member may be transferred permanently to a Program Participating Assisted Living or Skilled Nursing Facility if it is determined by the Care Coordination Team that the Member is no longer mentally or physically able to function safely in his or her Home. All decisions involving permanent transfer from Member's current living accommodation (including Home Site, Assisted Living Facility, Skilled Nursing Facility or hospital) to another accommodation will be made by the Care Coordination Team in consultation with the Member, or in case of incompetency, with the Member's Designated Representative, and the Member's attending physician.

V. FEES, TERMS, AND CONDITIONS

- A. **Membership Fee.** The Member agrees to pay the Program a one-time nontransferable, non-interest bearing Membership Fee of \$_____ (“Membership Fee”) as a condition of becoming a Member in the Program. This Membership Fee is payment for the _____ Program Plan, the payments and benefits of which are described in this Agreement, including Attachment A.
- B. **Monthly Fee.** In addition to the Membership Fee, Member agrees to pay a monthly fee (“Monthly Fee”) for the term of this Agreement, which shall be payable in advance by the tenth (10th) day of each month. As of the date of this Agreement, the Monthly Fee associated with the Program Plan selected will be \$_____ per month. After paying the Membership Fee, Member will commence paying the Monthly Fee. Monthly Fees are not subject to change or credit if a Member is away from the Home Site for any period of time.
- C. **Adjustments in the Monthly Fee and Other Fees.** The Monthly Fee and other costs, fees, and expenses charged by the Program are made to provide the Services described in this Agreement and are intended to meet the cost of administration, staffing, and other expenses associated with the operation and management of the Program. The Program will usually set fees, costs and expenses annually but shall have the authority to adjust the Monthly Fee and the other costs, fees, and expenses charged by the Program from time to time as necessary to continue operating on a sound financial basis and to maintain the quality of services called for herein. The Program, upon thirty (30) days written notice to the Member, may make any such increases in the Monthly Fee and other costs, fees, and expenses charged by the Program.
- D. **Monthly Statements.** At the beginning of each month, the Program will furnish the Member with monthly statements showing the Monthly Fee and additional copayments, deductibles, service fees, costs, and expenses owed by the Member that shall be payable by the tenth (10th) day of the month. Program may charge interest at a rate of one and one-half percent (1.5%) per month on any unpaid balance. In the event Member does not make payment on a timely basis, Member agrees to pay attorney’s fees, if any, incurred by the Program in the collection of such fees, costs, and expenses. Member may not withhold Monthly Fees for any reason. In the event of non-payment of the Monthly Fee and/or additional service fees, costs, and expenses, Program reserves the right to terminate this Agreement.

Initials _____
Corporation Member

- E. **Care in Other Assisted Living or Nursing Care Facilities.** If a Member transfers to a Facility other than at Salemtowne retirement community or other Program Participating Facility, the Program may limit payment of charges incurred at the Facility for the level of services defined within this Agreement if the cost of such services for any day exceeds the then current negotiated private pay daily rate for a private room in the Skilled Nursing Facility at Salemtowne retirement community. The Member may either transfer to the Assisted Living Facility or Skilled Nursing Facility at Salemtowne retirement community or other Program Participating Facility, or pay the difference between the cost of services at the Facility and the then current negotiated private pay daily rate for a private room in the Skilled Nursing Facility at Salemtowne retirement community. Member will continue to pay the Monthly Fee for the Program. Member will also be solely responsible for any and all copayments, deductibles, fees, costs, and expenses relating to such transfer.
- F. **Care in Other Facilities.** Should Member need a level of care beyond that which Salemtowne retirement community or other similar facility is licensed to provide and Member requires transfer to another facility, all copayments, deductibles, fees, costs, and expenses that result from such transfer and care shall be borne entirely by Member.
- G. **Limitation of Program Payment for Non-Institutional Health Care Services.** Program may limit payment for Home Site Services (Home Care Aide, Homemaker, Companion, Emergency Response System, meals and Adult Day Care) if the aggregate cost of such services for any day exceeds the then current negotiated private pay daily rate for a private room in the Skilled Nursing Facility at Salemtowne retirement community.

The Member may either transfer to a Program-Participating Facility or pay the difference between the cost of Home Site Services and the then current negotiated private pay daily rate for a private room in the Skilled Nursing Facility in Salemtowne retirement community.

- H. **Assignment of Reimbursements.** Member agrees to apply for any federal, state, and local reimbursements for which Member may be eligible or entitled. The Program shall have the right to bill, or have Program Providers bill, Medicare, Medicaid, and other third-party payers for any covered supplies and services provided by the Program. Any reimbursement for such supplies or services received by the Member shall be assigned to or paid to the Program to cover any copayments, deductibles, fees, costs, and expenses incurred by the Program or other Program Participating Facility. The Member is responsible for all copayments, deductibles, fees, costs, and expenses incurred while this Agreement remains in force, and the Member will pay any disputed or denied claims within thirty (30) days of the date of service.
- I. **Excess Costs.** Except as specifically provided by this Agreement, Member shall be solely responsible for services not covered by Medicare Parts A and B and Medicare Supplemental Coverage and for payments exceeding Medicare and Member's Supplemental Coverage limits, including but not limited to: audiological tests and hearing aids; eyeglasses and refractions; dentistry; dentures; dental inlays; organ transplants; orthopedic appliances; occupational, physical and speech therapy; podiatry; hospitalization and professional care for psychiatric disorders; treatment for alcohol or drug abuse medications; chiropractors; renal dialysis; extraordinary treatments; and experimental treatments as reasonably determined by Medical Director. Member will be responsible for the cost of all services and

supplies not expressly provided for by the Program as set forth in this Agreement. Such services and supplies include, but are not limited to, the cost of all prescription medicines, physician services, private duty nursing services, out-patient services, physical therapy, occupational therapy, speech therapy, IV therapy, respiratory therapy, oxygen, hospitals, eye glasses, hearing aids, dentistry, orthopedic appliances, therapy for psychiatric disorders, treatment for mental illness, incontinent supplies, renal dialysis, personal laundry, non-medical supplies, routine or emergency transportation, or any services not specifically provided for by this Agreement. The Program may rent and charge to Member any specialized or personalized equipment, such as wheelchairs, walkers, kidney machine or respiratory equipment.

- J. **Non-Payment.** If Member fails to make any of the Monthly Fee payments at the required time, or pay any other amounts due to the Program on the monthly statement provided to Member by the Program within thirty (30) days after it is billed to the Member, the Program may give written notice to the Member to pay all such amounts. If the Member fails to comply with such notice within fifteen (15) days, the Program may terminate this Agreement, and provide the Member with any applicable refund set forth in Section VIII.
- K. **Transfer of Property.** The Member agrees not to make any gift or other transfer of assets for the purpose of evading the Member's obligations under this Agreement, or if such gift or transfer would render such Member unable to meet such obligations under this Agreement.
- L. **Amount Due.** Member or Member's estate shall be liable to the Program for the full amount of any unpaid fees, including, but not limited to, Monthly Fees, additional service fees, and Deferred Fees. This Agreement shall operate as a lifetime assignment, transfer, and conveyance to the Program of so much of such Member's property as is necessary to cover such liability.
- M. **Financial Assistance.**
- i. **Subsidy.** In connection with its charitable mission, it is the desire of the Board of Trustees of the Corporation that no one terminates his or her affiliation with Salemtowne because of lack of funds. Any disposition of Member's assets in any way other than for care of Member or related living/medical expenses to the extent that Member cannot adequately provide for Member's expenses or care will nullify this desire on the part of the Corporation and entitle the Corporation to terminate this Agreement and its obligations hereunder.

The Corporation will make reasonable efforts to acquire the funds necessary to meet Salemtowne's fees for care. However, the resources of the Corporation to provide care for Members and residents are not unlimited, and the Corporation reserves the right to terminate services to any person, including Member, who cannot pay the full cost of Salemtowne's Monthly/Daily Fees and charges, and other costs in connection with such person's affiliation with Salemtowne.

In the event that a member, including Member, presents facts which in the opinion of the Corporation justify special financial consideration, the Corporation will give

careful consideration to subsidizing in whole or in part the Monthly/Daily Fees and other Salemtowne charges payable by the Member hereunder so long as such subsidy can be made without impairing the ability of the Corporation to attain its objectives while operating on a sound financial basis.

In the event that the Corporation may subsidize in whole or in part the Monthly/Daily Fees and other Salemtowne charges payable by the Member hereunder, the Member will be required to execute a separate Financial Assistance Agreement with the Corporation.

In the event that we continue to provide the services to you under the terms of this Agreement despite your financial inability to continue to pay the Monthly/Daily Fee or other Salemtowne charges payable under the terms of this Agreement, Salemtowne shall be entitled to require you to move to accommodations at Salemtowne that may be smaller and less costly than your Home.

Any determination by the Corporation with regard to the granting or continuation of financial assistance shall be within the sole discretion of the Corporation, under a separate agreement.

- ii. **Recovery of Subsidies Provided by Salemtowne.** When a Member dies or terminates this Agreement, if said Member's fees have been subsidized wholly or partly by the Corporation, the Member or Member's estate, if any, will be liable to the Corporation for the full amount of the subsidy the Member received for the entire time of this Agreement. This Agreement will operate as a lifetime assignment, transfer and conveyance to the Corporation of so much of Resident's property as is necessary to cover such liability. Any amount due the Corporation under this paragraph may be deducted from any refund payable to Member or to the Member's estate.
 - iii. **Financial Assistance Funds.** The Corporation has established funds which will be used to assist members who would otherwise not be able to continue to receive services from Salemtowne. Such funds may be used for the purposes of providing financial assistance, but no Member shall have any claim to or expectation of receiving or continuing to receive any such assistance.
- N. **Hospital, Surgical, and Physician Care.** The Program will have no responsibility to pay for Member's surgical, hospital, or physician care.
- O. **Funeral and Burial.** The Program will not be responsible for making funeral or burial arrangements and is not responsible for related expenses.
- P. **Emergency Notifications.** Member agrees to provide Program with the following information prior to the Effective Date of this Agreement, as well as any changes during the term of this Agreement:
- Names, address, and phone numbers of persons to notify in an emergency (minimum of two are required)

- Name, address and phone number of funeral home
- Names, addresses and phone numbers of lawyer and executor
- Names, address and phone numbers of Powers of Attorney
- Names, address and phone numbers for pet emergency contacts, if applicable

VI. RESCISSION PERIOD

- A. **Rescission**. This Agreement may be rescinded by Member by giving written notice of such rescission to Program within thirty (30) days following the latter of the execution of this Agreement or the receipt of the Disclosure Statement.

VII. TERMINATION

- A. **By Member**: The Member may terminate the Member Services Agreement for any reason by providing written notice of such termination at least 30 days in advance of the termination date. In the case of the death of the Member, the Member Services Agreement shall automatically terminate as of the date of death.
- B. **By Navigation at Home**: The Program may terminate the Member Services Agreement if: 1) there has been a material misrepresentation or omission made by the Member in the Member's Membership and/or Financial Applications or Personal Health History form; 2) the Member fails to make payment to the Program of any fees, charges, costs, and expenses due within 30 days of the date due; 3) the Member does not abide by the rules and regulations adopted by Program and/or Corporation; 4) the Member breaches any of the terms and conditions of this Agreement; 5) the Member permanently relocates outside the Designated Service Area, or 6) the Care Coordination Team reasonably determines that the Member poses a danger to him/herself or to others and Member or Member's Designated Representative refuses to allow the transfer of the Member from the Home Site or Facility to another facility.

VIII. REFUNDS

- A. **During the Rescission Period**: A refund of the Membership Fee paid, less a non-refundable fee of \$1,000, less the Monthly Fee and additional fees, costs, and expenses or portion applicable to the time this Agreement was in effect, will be paid within 30 days following receipt of the written notice.
- B. **Within the First 48 Months**: If the Member Services Agreement is terminated for any reason during the first 48 months following the Effective Date, the Member, or Member's estate, will receive a refund of the Membership Fee paid less: 1) a non-refundable fee of 4% of the Membership Fee, and 2) less a percentage of the Membership Fee for each month the Agreement remained in effect (full or partial without prorating and including the month in which the refund is payable), and 3) less any additional copayments, deductibles, fees, costs,

and expenses accrued.

The Membership Fee shall amortize as follows:

- Home Site Services2% per month
- Any time spent in an Assisted Living Facility or Home Site Services of equal cost in excess of one month... 3% per month
- Any time spent in a Skilled Nursing Facility or Home Site and Assisted Living Facility Services of equal cost in excess of one month..... 4% per month

Any refund due shall be refunded within 120 days of the date of termination of this Agreement.

The Program will have the right to set-off against any refund payable to the Member for the Membership Fee, for any deferred Monthly Fees, any other additional copayments, deductibles, service fees, costs, and expenses or amounts payable to the Program under this Agreement and other agreements between the Member and the Program or any affiliate of the Program and any copayments, deductibles, fees, costs and expenses that might be due, payable or incurred by the Member. Termination of this Agreement for whatever reason will not affect or impair the exercise of any right or remedy granted to the Program or Member under this Agreement for any claim or cause of action occurring prior to the date of such termination.

- C. **After 48 Months:** If this Agreement is terminated after the first 48 months or after the Membership Fee has fully amortized in accordance with the amortization percentages set forth above, following the Effective Date, no refund shall be given.
- D. **Ability to Apply Net Membership Fee to Independent Living Entrance Fee.** Notwithstanding the foregoing provisions of this Article VIII, the full amount of the Membership Fee paid pursuant to this Agreement less: 1) a non-refundable fee of 4% of the Membership Fee; 2) any copayments, deductibles, fees, costs or expenses paid or incurred by the Program for Services provided under this Agreement; and/or 3) any fees, costs or expenses due and owing to the Program by the Member under this Agreement may be credited towards any future Salemtowne retirement community entry fees for an independent living unit at Salemtowne but not for any assisted living, skilled nursing, memory care or other unit, accommodation or residence at Salemtowne or any other community or facility. Such a credit shall apply to all Home Site Services Plans, including the All Inclusive, All Inclusive Plus, Enhanced, Classic and Access Plans. In the event the Member enters into a Residence and Care Agreement with the Corporation for an independent living unit at Salemtowne, in accordance with this section, this Agreement shall automatically terminate and be of no further force and effect except for those rights, obligations, and terms that

survive termination in accordance with Section IX. R. of this Agreement.

IX. GENERAL

- A. **Compliance with Applicable Laws.** Corporation and Member will operate in full compliance with all laws, rules, regulations and ordinances promulgated by lawful governmental authorities.
- B. **Confidentiality.** Corporation shall keep all of the Member's personal, medical and financial information confidential. Member agrees that Program can disclose such information to those who have a need, in its judgment, or right to know.
- C. **Assignment.** Member's rights and privileges under this Agreement with respect to services and medical care are personal to the Member and may not be transferred or assigned by act of Member, or by any proceeding of law, or otherwise.
- D. **Management of the Corporation.** The absolute rights of management are reserved by the Corporation, its Board of Trustees and its administrators as delegated by said Board of Trustees. Corporation reserves the right to amend, implement or terminate policies and/or guidelines related to the operation of the Program in its sole discretion.
- E. **Moravian Affiliation.** The Corporation is affiliated with the Moravian Church in America, Southern Province ("Southern Province"). The Southern Province is not responsible for the financial and contractual obligations of the Corporation, including, without limitation, the financial and contractual obligations of the Program.
- F. **Indemnity.** Member agrees to indemnify, defend and hold the Corporation harmless from any and all 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 Member's acts or omissions or those of Member's guests including private duty nurses, companions, or others.
- 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. **Member Handbook.** Member will be given a current copy of the Member's Handbook as adopted by the Program. Member understands that this document will change from time to time.
- I. **Entire Agreement.** This Agreement constitutes the entire agreement between the Corporation and Member regarding the Program. 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 an authorized officer of the Corporation and by Member. Electronic 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.

- 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 Member.
- K. **Capacity**. This Agreement has been executed on the Corporation's behalf by the Corporation's duly authorized agent, and no officer, trustee, agent or employee of the Corporation shall have any personal liability hereunder to Member under any circumstances.
- L. **Tax Considerations**. Member should consult with his/her tax advisor regarding the tax considerations associated with this Agreement.
- M. **Uncontrollable Interruption of Service**. No breach of the Corporation's obligations under this Agreement and no liability for injury to you shall result from an interruption of, or failure to provide, the contracted services under this Agreement due to an act of God or other cause beyond the reasonable control of the Corporation, specifically including, but not limited to, strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquake, inclement weather, epidemic or pandemic, or acts of the Member.
- N. **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.
- O. **Amendments and Partial Invalidation**. Generally, this Agreement can be changed only by mutual written consent. However, Corporation can make changes without Member's consent to keep the Agreement in compliance with applicable laws and regulations provided that the changes the Corporation makes do not substantially reduce Member's benefits under the Agreement. 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 Member to pay costs or expenses of his or her participation in the Program that remain unpaid as of such termination.

- R. **Notices**. Any notices, consents, or other communications to the Corporation hereunder (collectively “notices”) will be in writing and addressed to the Member as set forth in the first paragraph of this Agreement and to the Program as follows:

Chief Executive Officer
Salemtowne
1000 Salemtowne Drive
Winston-Salem, North Carolina 27106

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.

Member understands this matter involves a financial commitment and associated risk, as well as a legally binding contract. Member was encouraged to consult with an attorney and/or financial advisor who could advise Member concerning this Agreement.

THE UNDERSIGNED MEMBER(S) ACKNOWLEDGES RECEIPT OF SALEMTOWNE’S CURRENT DISCLOSURE STATEMENT. 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 SALEMTOWNE, WHICHEVER OCCURRED FIRST.

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.

By:

By:

**MORAVIAN HOME,
INCORPORATED d/b/a
NAVIGATION AT HOME**

MEMBER

(signature)

(signature)

Mark Steele

Printed Name

President / CEO

Title

Printed Name

ATTACHMENT A

NAVIGATION AT HOME SERVICE PLAN OPTIONS*

Each plan pays the following percentage of costs associated with the services being provided

| <u>Type of Service</u> | All Inclusive | All Inclusive Plus | Enhanced | Classic | Access |
|--|---------------|--------------------|----------|---------|--------|
| Care Coordination | 100% | 100% | 100% | 100% | 100% |
| Home Site Services: | | | | | |
| Home Care Aide ¹ | 100% | 100% | 85% | 50% | 65% |
| Companion / Homemaker ¹ | 100% | 100% | 85% | 50% | 65% |
| Live in Companion ¹ | 100% | 100% | 85% | 50% | 65% |
| Adult Day Care ¹ | 100% | 100% | 85% | 50% | 65% |
| Delivered Meals (as limited per Agreement) | 100% | 100% | 100% | 100% | 100% |
| Emergency Response System | 100% | 100% | 100% | 100% | 100% |
| Home Inspection | 100% | 100% | 100% | 100% | 100% |
| Transportation (as limited in Agreement) | 100% | 100% | 100% | 100% | 100% |
| Assisted Living or Skilled Nursing Care^{1,2} | 100% | 100% | 70% | 50% | 0% |

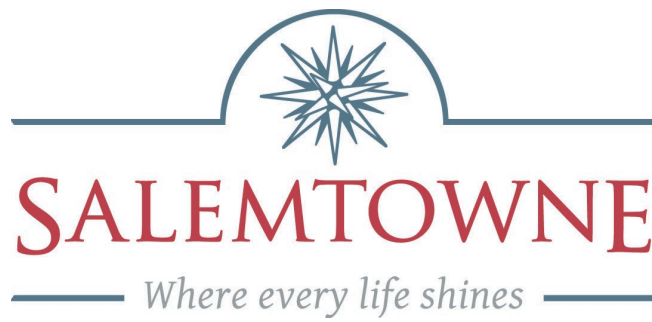
¹ Percentages listed that are covered by the Program are limited to a cap equal to the then current negotiated private pay daily rate for a private room in the Skilled Nursing Facility at Salemtowne retirement community. The cap is applied on a monthly basis.

² Applies to Skilled Nursing or Assisted Living Care provided at Salemtowne retirement community or at a Program-Participating Facility.



Appendix C

Schedule of Fees as of August 28, 2021



Schedule of Fees

Living Accommodations

Effective June 1, 2021

Salemtowne is a non-profit continuing care retirement community that promotes the well-being of its residents by providing a caring environment. Salemtowne is an ecumenical community that reflects the Moravian values of individual respect, hospitality, life-long learning, and love of the arts.

Independent Living Cottages

(This schedule of fees is effective for New Residents entering the community)

| | <u>Square Footage</u> | <u>Entrance Fee</u> | <u>Monthly</u> |
|---------------------------|-----------------------|-----------------------|-------------------|
| Wachovia Village | | | |
| Hatteras - 2BR | 1,172 | \$170,200 - \$179,100 | \$3,082 |
| Emerald - 2BR | 1,356 | \$204,200 - \$225,500 | \$3,213 |
| Salem Village | | | |
| Bethania - 2BR | 1,553 | \$272,800 - \$286,200 | \$3,525 |
| Hickory - 2BR | 1,560 - 1,755 | \$259,800 - \$325,100 | \$3,587 - \$3,953 |
| Catawba - 2BR | 1,678 - 1,954 | \$279,300 - \$364,800 | \$3,778 - \$4,169 |
| Catawba - 3BR | 2,033 - 2,363 | \$373,800 - \$426,500 | \$4,152 - \$4,467 |
| Catawba - 2BR w/ basement | 3,210 (1,678 heated) | \$378,600 | \$4,107 |
| Bethabara Place | | | |
| Mitchell - 2BR | 1,440 | \$282,500 | \$3,585 |
| Shenandoah - 2BR | 1,617 - 1,698 | \$317,200 - \$333,100 | \$3,775 - \$3,901 |
| Appalachian - 2BR | 1,640 - 1,750 | \$312,300 - \$333,500 | \$3,837 - \$3,908 |
| Rutherford - 2BR | 1,817 - 2,100 | \$346,100 - \$442,800 | \$4,152 - \$4,798 |
| Watauga - 2BR | 3,200 | \$425,900 | \$4,667 |

Monthly Fee for Second Occupants is \$743.

Monthly Fees includes: all utilities (excluding telephone), cable, weekly housekeeping, maintenance and \$177 per month per Resident dining allowance.

50% and 90% Entrance Fee Plans are offered. Please contact Salemtowne's Marketing team for current pricing and availability.

Residents moving between independent living residences will be charged for renovation costs. For a second and each subsequent move between independent living residences, residents will be charged \$10,000 in addition to any entrance fee and renovation costs. There may be an additional entrance fee for new residents joining existing residents. Please contact Salemtowne's Marketing team for information.

Independent Living Apartments

(This schedule of fees is effective for New Residents entering the community)

| | <u>Entrance Fee</u> | <u>Monthly Fee</u> |
|--|-----------------------|--------------------|
| Vogler Building / Bahnson Hall: | | |
| Forsyth – 1BR~530 sf | \$75,700 - \$96,300 | \$2,284 |
| Winston A or B – 2BR~790 sf | \$103,900 - \$114,800 | \$2,575 |
| West End – 1BR~790 sf | \$104,000 - \$112,800 | \$2,575 |
| Buena Vista – 2BR~1,055 sf | \$144,600 - \$156,800 | \$2,876 |
| Driscoll Apartment Building: | | |
| Reynolda – 1BR ~ 751 sf | \$133,000 - \$167,800 | \$2,714 |
| Sherwood – 1BR~ 936 sf | \$158,700 - \$172,100 | \$3,016 |
| Piedmont - 2BR~1,073 sf | \$193,800 - \$211,800 | \$3,396 |
| Brookstown – 2BR~1,107 sf | \$190,800 - \$202,500 | \$3,401 |
| Twin City – 2BR~1,240 sf | \$211,800 - \$233,000 | \$3,643 |

Monthly Fee for Second Occupants is \$949.

Monthly Fees includes: all utilities (excluding telephone), cable, weekly housekeeping, maintenance and \$371 per month per Resident dining allowance.

Monthly fee includes: Bed and bath linen laundry service for Vogler Building and Bahnson Hall apartments.

Residents moving between independent living residences will be charged for renovation costs. For a second and each subsequent move between independent living residences, residents will be charged \$10,000 in addition to any entrance fee and renovation costs. There may be an additional entrance fee for new residents joining existing residents. Please contact Salemtowne's Marketing team for information.

50% and 90% Entrance Fee Plans are offered. Please contact Salemtowne's Marketing team for current pricing and availability.

The Woodlands

| | <u>Entrance Fee</u> | <u>Monthly Fee</u> |
|--|---------------------|--------------------|
| Beech, 1BR w/ Den ~ 1215 sf | \$210,500 | \$3,540 |
| Beech (Top Floor), 1BR w/ Den ~ 1215 sf | \$237,300 | \$3,540 |
| Dogwood – 2BR ~ 1395 sf | \$266,300 | \$3,711 |
| Dogwood (Top Floor) – 2BR ~ 1395 sf | \$305,200 | \$3,711 |
| Hawthorne – 2BR ~ 1490 sf | \$284,100 | \$3,803 |
| Hawthorne (Top Floor) – 2BR ~ 1490 sf | \$326,400 | \$3,803 |
| Pine – 2BR w/ Den ~ 1640 sf | \$322,000 | \$3,961 |
| Pine (Top Floor) – 2BR w/ Den ~ 1640 sf | \$377,600 | \$3,961 |
| Sycamore - 2 BR w/ Sunroom ~ 1750 sf | \$342,000 | \$4,120 |
| Sycamore (Top Floor)- 2 BR w/ Sunroom ~ 1750 sf | \$399,900 | \$4,120 |
| Willow - 2 BR w/ Sunroom ~ 1875 sf | \$377,600 | \$4,199 |
| Willow (Top Floor)- 2 BR w/ Sunroom ~ 1875 sf | \$450,000 | \$4,199 |

Monthly Fee for Second Occupants is \$759.

Monthly Fees includes: all utilities (excluding telephone), cable, weekly housekeeping, maintenance and \$233 per month per Resident dining allowance.

Residents moving between independent living residences will be charged for renovation costs. For a second and each subsequent move between independent living residences, residents will be charged \$10,000 in addition to any entrance fee and renovation costs. There may be an additional entrance fee for new residents joining existing residents. Please contact Salemtowne’s Marketing team for information.

50% and 90% Entrance Fee Plans are offered. Please contact Salemtowne’s Marketing team for current pricing and availability.

Assisted Living Services

(This schedule of fees is effective for Residents entering the community on or after May 1, 2014 under the “New” fee program & those residents who bought in to the “New” fee program.)

| | <u>Monthly Fee</u> |
|---|--------------------|
| Assisted Living - Single occupancy | \$5,530 |
| Assisted Living Suite - Single occupancy | \$7,336 |
| Assisted Living - Respite Stay | \$265 / day |

Monthly fee includes: 3 meals per day, utilities (excluding telephone), cable, weekly housekeeping & maintenance.

Monthly fee includes bed and bath linen laundry.

Residents moving between assisted living residences may be charged for renovation costs.

Memory Support Services – Westerly Place Fee Program

| | <u>Monthly Fee</u> |
|--|---------------------------|
| Memory Support - Single occupancy | \$9,004 |

Health Care Services Fee Program

Daily Fee

Babcock Health Care Center

(all rooms Medicare certified effective 1/1/2015 and 20 rooms
dually Medicaid certified)

Private room

\$387 / day

Daily fee includes: 3 meals per day, utilities (excluding telephone), cable, daily housekeeping, maintenance and bed and bath linen laundry service.

It will be administration's discretion to evaluate costs of internal moves and determine their impact on the community. Should Administration determine that the cost of an internal move will adversely impact the community and the community cannot absorb the renovation costs, the renovation costs will be charged to the resident.



Schedule of Fees

Misc. Administrative Fees

Effective May 1, 2021

Salemtowne is a non-profit continuing care retirement community that promotes the well-being of its residents by providing a caring environment. Salemtowne is an ecumenical community that reflects the Moravian values of individual respect, hospitality, life-long learning, and love of the arts.

**Prices subject to
change based on cost**

**Independent Living Resident Application Fee to Join the
Waitlist:**

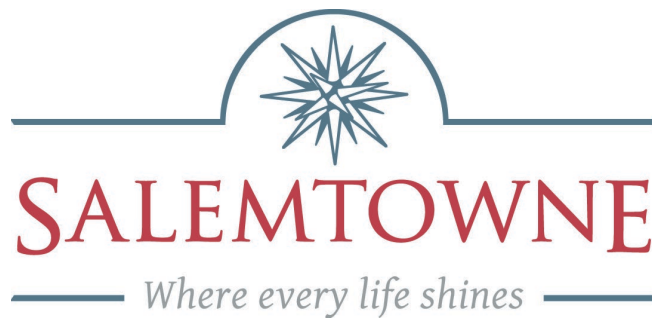
| | |
|---|--|
| Towne Club Entrance Fee – refundable/applied to entrance fee | \$1,000 (per person) |
| Keys (extra or replacement) | \$20 per key |
| Replacement Name Tag | \$14 (each) |
| Monthly Billing Statement Copy | \$5.50 per statement |
| Copy of Medical Records or Administrative File Records | \$0.50 (per page) |
| Copier Fees | \$0.16/page black/white \$0.32/page color |
| Fax Fees | \$0.25/page |
| Scan & email (b/w & color) | \$0.10/ page |
| # 10 letter size envelopes (Contact Community Center Receptionist) | \$0.10 each |
| 9 x 12 envelopes (Contact Community Center Receptionist) | \$0.30 each |
| Shipping packages | \$5.00 + shipping charge |
| NSF (non-sufficient funds fee) for returned checks | \$40 (each check) |
| Optional Bed and Bath Linen Service (per residence) | \$128 per month |

Subject to Availability

| | |
|---|------------------------------------|
| Guest Room – Studio (Reservations through Hospitality Coordinator) | \$62 per night (meals excluded) |
| Guest Room – One Bedrooms (Reservations through Housekeeping) | \$78 per night (meals excluded) |
| Guest Room Cancellation Fee (less than 48 hours notice) | \$47 |

Pet Fees

\$500 - One-time non-refundable pet fee for each pet that meets Salemtowne's Pet Policy.



Schedule of Fees

Ancillary Services

Effective June 25, 2021

Salemtowne is a non-profit continuing care retirement community that promotes the well-being of its residents by providing a caring environment. Salemtowne is an ecumenical community that reflects the Moravian values of individual respect, hospitality, life-long learning, and love of the arts.

Beauty Shop

**Prices subject to
Change based on cost**

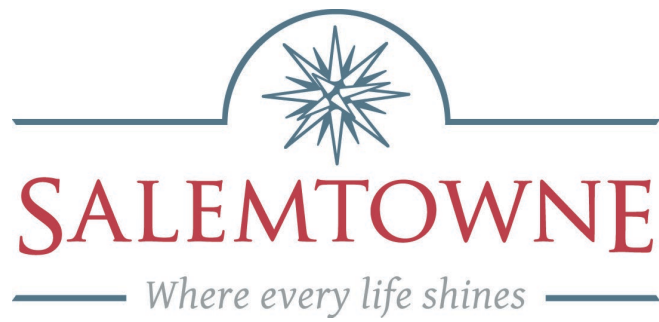
| | |
|--------------------------------|------|
| Cut 1 | \$25 |
| Cut 2 | \$20 |
| Blow Dry | \$20 |
| Shampoo (must accompany a set) | \$15 |
| Set (must accompany a shampoo) | \$25 |
| Rinse | \$ 7 |
| Color | \$80 |
| Permanent 1 | \$85 |
| Permanent 2 | \$80 |
| Eyebrow Tint | \$15 |
| Cut & File Nails | \$17 |
| Manicure | \$27 |
| Conditioner | \$13 |
| Beard Trim | \$11 |
| Hairnet | \$ 7 |
| Hair Spray | \$26 |

Personal Training
(subject to availability)

Available and charged by
the YMCA. See YMCA
Coordinator for prices.

**Massage Therapy – without
Physician Order**
(subject to availability)

1/2 hour - \$48
missed appt. \$15



Schedule of Fees

Dining Services

Effective May 1, 2021

Salemtowne is a non-profit continuing care retirement community that promotes the well-being of its residents by providing a caring environment. Salemtowne is an ecumenical community that reflects the Moravian values of individual respect, hospitality, life-long learning, and love of the arts.

Dining Services

Flexible Dining Plans

Salemtowne's Flexible Dining Plan empowers residents to have freedom in choosing what they like to eat, and when they prefer to dine. All dining items are a la carte and individually priced. Menu item prices will be available on the daily table menus and posted in the Servery.

Salemtowne will provide you the ability to carry over your unused dining allowance to the next two months and use your dining allowance for family and guests, for beer and wine or a catered event on campus.

| | |
|---|-------------|
| Flexible Dining Plan | \$371/month |
| <ul style="list-style-type: none">• Required for all Independent Living Apartment Residents | |

| | |
|--|-------------|
| Flexible Dining Plan | \$177/month |
| <ul style="list-style-type: none">• Optional for Cottage Residents entering the community prior to May 1, 2014• Required for Cottage Residents entering the community on or after May 1, 2014• Dining Fee is included in the monthly service fee | |

| | |
|--|-------------|
| Flexible Dining Plan – Woodlands | \$233/month |
| <ul style="list-style-type: none">• Required for all Woodlands Villa Residents | |

| | |
|--|--------------|
| Resident Individual Meal delivery | \$5/delivery |
| <ul style="list-style-type: none">• No delivery fee will be charged for meal delivery due to resident sickness | |

Call 714-3141

Tipping is not permitted

Catering Services

*Contact Director of Dining Services at 714-2145 or
the Dining Services Supervisor at 714-2190 to*

- *plan menus*
- *obtain costs estimates*

Sales tax will be added to catering prices.

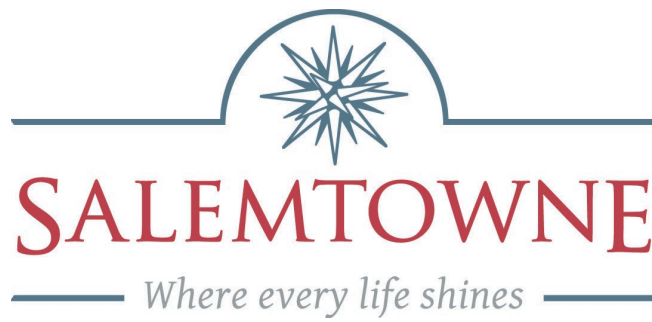
Minimum advance notices & room capacities are listed on the following page.

While there are no restrictions for the use of outside caterers at Salemtowne, Salemtowne should be consulted on all food/beverage events before hiring an outside caterer. Use of kitchen, prep facilities & equipment by outside caterers is prohibited.

| AREA | Minimum Notice For Dining Services |
|--|---|
| Siewers Private Dining Room | 3 business days |
| Dorcas Dining Room - Dining Attendants | 2 weeks |
| EVENTS | |
| Up to 75 guests | 2 weeks |
| Over 75 guests | 3 weeks |
| | |
| Cakes & Pies | 3 business days |

CAPACITIES

| | |
|---|---|
| Smith Saal in the Community Center | Seated – 150 Standing – 300 |
| Courtyard Lounge | Seated - 23 Standing – 18 |
| Vogler Living Room | Seated - 30 Standing – 60 |
| Vogler Living Room Annex (formerly game/PC room) | Seated – 20 Standing - 30 |
| Amos Room | Seated – 40 Standing – 50 |
| Central Community Courtyard | Seated - 400 Standing – 500 |
| Babcock House | Seated - 75 Standing - 150 |
| Dorcas Dining Room | Seated – 160 Standing (w/o chairs) - 200/250 |
| Siewers Private Dining Room | Seated – 24 Standing – 32 |
| Associate Dining Room (including adjacent room & Smith Art Gallery) | Seated – 50 Standing – 150 |
| Masten Assisted Living Dining Rooms | Seated – 56 Standing – 70 |
| Phillips Health Care Center – Blue Ridge Dining Room (100) | Seated – 32 Standing – 50 |
| Phillips Health Care Center – Foothills Dining Room (200) | Seated – 32 Standing – 50 |
| Phillips Health Care Center – Tidewater Dining Room (300) | Seated – 24 Standing – 35 |



Schedule of Fees

Maintenance, Grounds & Housekeeping Special Services

Effective May 1, 2021

Salemtowne is a non-profit continuing care retirement community that promotes the well-being of its residents by providing a caring environment. Salemtowne is an ecumenical community that reflects the Moravian values of individual respect, hospitality, life-long learning, and love of the arts.

**Maintenance, Grounds & Housekeeping
Special Services** (upon request by
Resident & approval by Administration)

| | |
|--|--------------------|
| *Additional Services – Regular Rate | \$40.00 / hour |
| *Additional Services – Overtime Rate | \$65.00 / hour |
| *Internal Moves – Packing & Moving Assistance | \$50 per hour plus |
| Supply Costs | Cost + 20% |
| PALs (personal alert line) new & replacement (includes necklace) | \$370 (each) |
| Lanyard for PAL | \$5.00 (each) |
| Small or large wrist bracelet for PAL | \$14 (each) |
| Wireless Pull Cord for residence | \$415 (each) |
| Gate Access Windshield RF Sticker | \$25 per sticker |
| Accommodation Trash and Belongings Removal | \$50 per hour |
| Furniture Removal, Disposal or Donation to Charity | \$30 per item |
| Internal Moves – Packing & Moving Assistance | \$50 per hour plus |

- Additional Services include “handyman”, grounds and additional housekeeping. These services are provided based on availability and approval of management. Residents will approve an estimate of time and costs before any work is started .



Navigation

BY SALEMTOWNE

Schedule of Fees

Effective

June 1, 2021

Membership Plans

Members will pay an initial membership fee and an ongoing monthly fee. The Membership Fee is actuarially priced based upon the Member's age and the plan option chosen. The Monthly Fee varies with the plan option chosen. The table below shows examples of the Membership Fee and Monthly Fee for the four plan options for singles aged 65, 75 and 85.

| Membership Fee | Plan Type | | | |
|--------------------|------------------|---------------|---------------|---------------|
| | All Inclusive | Enhanced | Classic | Access |
| | <u>Single</u> | <u>Single</u> | <u>Single</u> | <u>Single</u> |
| 65 | \$37,721 | \$30,514 | \$25,006 | \$22,703 |
| 75 | \$61,133 | \$50,028 | \$38,946 | \$33,354 |
| 85 | \$85,809 | \$70,340 | \$53,235 | \$46,192 |
| Monthly Fee | \$633 | \$544 | \$487 | \$424 |

*Couples receive a 5% discount on the Membership and Monthly Fee

Consultative Care Plus Plan

Membership Fee – one-time non-refundable fee of \$5,725 for each member

No monthly fee. All services are provided on a “fee for service” basis at an additional cost to the Member when utilized.

Health Support Services

Health Support Services coordinated by Navigation are charged at the provider's rate.

Navigation Care Coordination - \$105 per hour.