

**CONTINUING CARE DISCLOSURE STATEMENT**

**June 1, 2021**

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.  
(SHARON TOWERS)  
5100 SHARON ROAD  
CHARLOTTE, NORTH CAROLINA 28210  
704/553-1670**

**CHAPTER 58, ARTICLE 64 OF THE NORTH CAROLINA GENERAL STATUTES, ENTITLED "CONTINUING CARE RETIREMENT COMMUNITIES" REQUIRES DELIVERY OF A CURRENT CONTINUING CARE DISCLOSURE STATEMENT PRIOR TO THE SIGNING OF A RESIDENT'S AGREEMENT PROVIDING FOR CONTINUING CARE. THIS CONTINUING CARE DISCLOSURE STATEMENT SHALL BE CONSIDERED CURRENT AND MAY BE DELIVERED BY SHARON TOWERS ANYTIME PRIOR TO OCTOBER 28, 2022, UNLESS SHARON TOWERS DETERMINES THAT A REVISION IS NECESSARY BEFORE THAT DATE. THIS CONTINUING CARE DISCLOSURE STATEMENT HAS NOT BEEN REVIEWED OR APPROVED BY ANY GOVERNMENT AGENCY OR REPRESENTATIVE TO ENSURE THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET OUT.**

(SHARON TOWERS)

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## **I. ORGANIZATION INTRODUCTION AND INFORMATION**

The Presbyterian Home at Charlotte, Inc., a not-for-profit corporation organized in 1964 under the laws of the state of North Carolina, owns and operates a continuing care facility and currently provides health-related services to approximately 337 persons aged 60 or over. Its facilities are known as "Sharon Towers," and in the remainder of this Disclosure Statement, The Presbyterian Home at Charlotte, Inc. and the facilities owned and operated by it are referred to as "Sharon Towers." Sharon Towers does not discriminate based on gender, race or religion.

Sharon Towers is governed by an 18 to 24-person Board of Directors, divided into three classes and elected for three-year terms by the Presbytery of Charlotte. The Presbytery of Charlotte is organized and exists under the authority of the constitution of the Presbyterian Church (U.S.A.). Nevertheless, neither the Presbyterian Church (U.S.A.), the Presbytery of Charlotte (or its successor) nor any general assembly, board, synod, presbytery, session, church, congregation or agency thereof has any financial or managerial responsibility for the business or affairs of Sharon Towers other than the election of its directors as described above.

Sharon Towers, a charitable and religious organization, is exempt from federal income taxes pursuant to Section 501(c) (3) of the Internal Revenue Code of 1986.

Sharon Towers is a member of Leading Age, the Presbyterian Association of Homes and Services for the Aging, and Leading Age North Carolina.

## **II. FACILITY INTRODUCTION AND INFORMATION**

Sharon Towers maintains one ten-story, three six-story, and two three-story residential towers surrounded by 34 freestanding or paired cottages on approximately 28 wooded acres in southeast Charlotte. SouthPark shopping mall, bus routes to downtown Charlotte, and Sharon Presbyterian Church are nearby.

Sharon Towers is known for its financial stability, excellent location, and quality of care. Sharon Towers opened the East Tower and 22-bed Health Care Center in 1969. West Tower and South Wing and additional nursing beds were added in 1974 and 1985; cottages have been added over the years; the North Terrace opened in 1999 and South Terrace opened in 2003. The first of two Magnolia Villas opened in January of 2017 with the second Villa opening in February of 2018. Sharon Towers initiated a cottage renewal program in 2004 where vacated cottages are extensively renovated and or expanded. In some cases, old cottages are torn down and rebuilt in order to provide cottages with larger square footage and enhanced floor plans.

Since 1994, many small single residences have been combined to create the larger floor plans that are in greater demand. Two 20-bed assisted living units, licensed as "Adult Care," were opened in November 1994, and May, 1996, respectively in the West Tower. Together, the two assisted living units are known as Azalea West. Third Floor Azalea West, licensed as adult care, is secured with magnetic locks to prevent wandering. Concierge services are available for residents of the West Suite, located on the 4<sup>th</sup> floor of the West Tower.

Sharon Towers maintains an open Certificate of Need for 62 of its Nursing Facility Beds, allowing direct admission of non-residents to these beds. Nineteen of these 62 beds are Medicare certified and used for short-term rehabilitation of Sharon Towers' residents and members of the community. The remaining 34 Nursing Facility Beds are closed to direct admissions and must follow certain admissions policies described in the Residency Agreement (hereinafter defined).

In 2006, the Corporation began purchasing certain single-family parcels contiguous to its property as they became available in order to provide future campus expansion opportunities. These purchases have enabled the Corporation to move forward with the expansion plans described in Section IX.

**A. Directors/Officers of Sharon Towers:** As of June 1, 2021, the following persons were either directors or officers of Sharon Towers responsible for development of policy and providing direction to management. Some Directors who are also Residents of Sharon Towers are elected by the Residents with the election ratified by the Charlotte Presbytery. Neither the CEO nor any member of the Board of Directors has been convicted of a felony or pleaded nolo contendere to a felony charge or judgment, or a felony or civil action involved in fraud, embezzlement, fraudulent conversion, or misappropriation of property; or is subject to a currently effective injunction or restrictive court order, or within the past five years has had any State or federal license or permit suspended or revoked as a result of any action brought by a governmental agency or department, arising out of or relative to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, Home for the Aged or facility subject to the North Carolina G.S.58-64 or similar law in another state.

**EDWARD S. BOOHER** is a member of the Board of Directors and serves on the Planning and Governance Committee. He is an attorney with Moore & Van Allen and a member of First Presbyterian Church. His contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

**DOUGLAS K. BRADLEY** is Chair of the Board of Directors and serves on the Executive Committee. He is Managing Principle of Landover Development and a member of Trinity Presbyterian Church. His contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

**JOHN E. BURTON, Jr.** is a member of the Board of Directors and serves on the Executive Committee and as Chair of the Planning and Governance Committee. He is a marketing consultant for the Burton Group and is a member of First Baptist Church West. His contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

**JOHN J. CARPENTER** is a member of the Board of Directors and serves on the Finance and Investments Committee. He is an attorney with Culp, Elliott & Carpenter, PLLC and is a member of Myers Park United Methodist Church. His contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

**ADELAIDE A. DAVIS** is a member of the Board of Directors and serves on the Philanthropy

Committee. She is Associate Vice President of Alumni Relations and Planned Giving at Queens College and is a member of Covenant Presbyterian Church. Her contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

**SUSAN M. GOODMAN** is a member of the Board of Directors and serves on the Philanthropy Committee. She is a professional artist and attends Myers Park Presbyterian Church. Her contact address is 5100 Sharon Road, Charlotte, North Carolina 28210

**EDITH M. HALL** is a member of the Board of Directors and serves on the Facilities and Programs Committee. She is a member of Grace Covenant Church. Her contact address is 5100 Sharon Road, Charlotte, North Carolina, 28210

**ROBERTA L. HARPER** is a member of the Board of Directors and serves on the Executive Committee and as Chair of the Philanthropy Committee. She is CEO of Hugaroo, Inc. and a member of St. Matthew Catholic Church. Her contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

**ROBERT S. HUDSPETH** is a member of the Board of Directors and serves on the Facilities and Programs Committee. He is a member of Unity Presbyterian Church in Fort Mill, South Carolina. His contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

**TIMOTHY J. IGNASHER** is a member of the Board of Directors and serves on the Finance and Investments Committee. He is President of New Dominion Bank and a member of Covenant Presbyterian Church. His contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

**VIRGINIA L. KELLY** is a member of the Board of Directors and serves on the Philanthropy Committee. She is a member of Myers Park Presbyterian Church. Her contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

**RONALD R. KIMBLE** is a member of the Board of Directors and serves on the Finance and Investments Committee. He is co-founder of the Jamie Kimble Foundation for Courage and a member of Myers Park United Methodist Church. His contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

**MARGARET A. MARTIN** is a member of the Board of Directors and serves on the Planning and Governance Committee. She is a member of First Presbyterian Church. Her contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

**E. JUDSON MCADAMS** is a member of the Board of Directors and serves as Chair of the Facilities and Programs Committee. He is a partner with Real Estate Development Partners and a member of Christ Episcopal Church. His contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

**RHONDA R. MCCLAIN** is a member of the Board of Directors and serves on the Planning and Governance Committee. She is an Educator in the Charlotte-Mecklenburg Schools and a member

of Sharon Presbyterian Church. Her contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

**ANNE O. MOFFAT**, President and Chief Executive Officer, has worked in long Term Care in nursing and administration for 36 years having started as a Registered Nurse after receiving her BSN degree from Rush University. She earned her Masters of Business Administration from Queens University and is a licensed healthcare administrator. Her contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

**RICHARD L. NICHOLS, JR.** is a Chair-elect of the Board of Directors and serves on the Facilities and Programs Committee. He is Managing Director of Bank of America and a member of The Park Church. His contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

**KATHERINE K. RICHARDS** is a member of the Board of Directors and serves on the Executive Committee and as Chair of the Finance and Investments Committee. She is a retired Associate Vice President with the firm of Morgan Stanley Smith Barney and is a member of Myers Park United Methodist Church. Her contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

**THECKLA D. STERRETT** is a member of the Board of Directors and serves on the Philanthropy Committee. She is retired President and Executive Director of Account Services at Saturday Brand Communication and a member of St. Peters Episcopal Church. Her contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

**CURTIS L. TRENKLEBACH** is a member of the Board of Directors and serves on the Facilities and Programs Committee. He is President of Intercon Building Company and a member of Christ Episcopal Church. His contact address is 5100 Sharon Rad, Charlotte, North Carolina 28210.

**RICHARD D. WILLIAMS** is a member of the Board of Directors and serves on the Finance and Investments Committee. He is Managing Director of Bank of America and a member of Trinity Presbyterian Church. His contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

**VELVA W. WOOLLEN** is a member of the Board of Directors and serves on the Philanthropy Committee. She is a former Charlotte city council member, Woman of the Year recipient and a member of Covenant Presbyterian Church. Her contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

Officers and Directors serve as volunteers and have no professional experience in the operation and management of facilities similar to The Presbyterian Home at Charlotte, Inc.

There is no professional service firm, association, trust, partnership or corporation in which the President/CEO (who will manage the facility on a day to day basis) or any member of the Board of Directors has, or which has in such persons, a ten percent or greater interest and which it is presently intended shall currently or in the future provide goods, leases or services to the facility, or to residents of the facility, of an aggregate value of five hundred dollars (\$500.00) or more

within any year.

## **B. Description of Physical Property**

**Independent Living Units.** The floor plans for the independent living units vary in design and include studio, one-bedroom and two-bedroom apartments, villas, terrace units and cottages in configurations ranging from 250 to 2,499 square feet. Each independent living unit, with the exception of studios, features a living room, one or two bathrooms, carpeting and a fully-equipped kitchen. All independent units have individually controlled heating and air conditioning, cable television and telephone hook-ups, and a 24-hour fire, safety and medical emergency call system. Most of the independent living units are equipped with microwave ovens and some have washer/dryers.

The buildings that make up the main building complex, located in the center of the campus, are physically connected and do not require walking outside in order to get from one building to another. These are the East and West Towers, the North Terrace, South Terrace and the core connector building with its south wing (the “Core Building”).

The East Tower consists of seven stories, one of which is located underground. The West Tower is six stories in height, all above ground. These Towers house numerous resident amenity spaces including resident storage, a beauty shop, a resident-run resale shop, a library, an arts and crafts room, the main lobby and a common living room known as the Harris Towne Center, as well as support services including maintenance, housekeeping, laundry facilities and some management offices. As of May 1, 2021, there are 73 independent living apartment units located in the East and West Towers. The Corporation has been combining East and West Towers apartments for the past 20 years in an effort to create units large enough for current market demand. The Corporation continues to look for additional opportunities for combination as these units open up.

The North Terrace and South Terrace buildings, connected to the East Tower on the north and south sides, house larger independent living apartments, consistent with market demand. The North Terrace is five stories tall with five apartments per floor. Parking is provided under the building. Similar in square footage and floor plans to the North Terrace, the South Terrace is 10 stories tall and has five apartments per floor, with the exception of the 10th floor, where a community room overlooks the Charlotte skyline. Parking for the South Terrace is located in an adjacent parking deck.

The newest independent living accommodations are the Magnolia Villas, which offer larger apartments consistent with market demand, separate from the main Tower buildings. Each Magnolia Villa houses eighteen residential apartments (six per floor), a community room and underbuilding parking. The Magnolia Villas opened in 2017 and 2018, and each filled quickly upon opening.

As of May 1, 2021 Sharon Towers has 32 independent living cottages in operation including three houses in the adjacent Fairmeadows neighborhood contiguous to the campus. Two cottages have been taken offline for the Project, one that serves as a Phase I Model and one that serves as the construction office, and six cottages are slated for future demolition to accommodate the second phase of the Master Plan. See Section IX.

**Amenities.** Sharon Towers' amenity spaces are located on the ground and first floor levels of the four-story Core Building, which joins the East and West Towers. These floors house the kitchen facilities, dining venues, exercise room, therapy room, Wellness Clinic, Physician's Clinic, a multi-purpose room, resident resource room, chapel, mail room, private dining room, the Lemon Tree Shop convenience store, offices, and access to the aquatic's facility on the lower level.

**C. Number of Residents:** Approximately 337 residents make their home at Sharon Towers.

### **III. POLICIES, ADMISSION**

**A. Health Criteria:** With the exception referred to in Section III.E1 or as described herein, all Residents must be mobile, mentally alert, and able to live independently on the date the Resident occupies the Living Accommodation, as defined in the Resident's Agreement and for a reasonable time thereafter. The determination of whether a Resident satisfies these criteria is made within the discretion of Sharon Towers' management and as a result of the Resident's medical examination, through interviews and observations by the Sharon Towers staff prior to occupancy, and during the 90-day Trial Period. If at any time prior to the expiration of the 90-day Trial Period Sharon Towers determines that the Resident does not satisfy the physical and mental criteria for admission or violates the terms of the Resident's Agreement, Sharon Towers may terminate the Resident's Agreement. Notwithstanding the requirement above, a limited number of Applicants who can benefit from health care services may be admitted directly to assisted living, or the Health Care Center.

**B. Financial Criteria; Financial Assistance:** Except as provided herein, a Resident must have a net worth sufficient to pay the Entry Fee (also referred to as Entrance Fee), and in the opinion of the Admissions Committee, as determined on a case-by-case basis, have income sufficient to pay the Monthly Service Fee, Health Care Center Daily Rate and other incidental amounts.

It is, however, the policy of Sharon Towers, officially adopted as Article V, Section 1 of its Bylaws that financial assistance be made available to Residents who, because of their financial condition, are unable to pay the full cost of their care at Sharon Towers. Entry Fee and Monthly Service Fee assistance may also be provided at the sole discretion of Sharon Towers for a Resident upon admission, after proof of financial need. Sharon Towers strives to give financial assistance equal to five percent (5%) of annual revenue. Accordingly, persons should not be discouraged from applying for admission to Sharon Towers because of their inability to afford the Entry Fee or Monthly Service Fee. Nevertheless, while the above policies are the goals of Sharon Towers, implementation of the policies are specifically conditional upon the availability of resources for these purposes and the continued financial stability of Sharon Towers. Sharon Towers reserves the right to require periodic financial statements from Residents for the purpose of ascertaining future needs for assistance.

**NOTE:** The above-described admissions criteria may be modified at any time by the Board of Directors or their designated representative(s) of Sharon Towers, and all Residents should expect to pay the charges incurred for their care unless specifically waived by Sharon Towers at the time of admission.

**C. Age Criteria:** At the time a Resident moves to Sharon Towers, the Resident must be at least 60 years of age, except that in the case of a couple, only one of the couple must meet this requirement. Other extenuating circumstances may be considered.

**D. The Admissions Process:** A person who is interested in living at Sharon Towers contacts or visits Sharon Towers and receives certain preliminary information, which includes a brief information sheet, a price list and application forms. When the person is interested in continuing the admissions process, the potential Resident receives a packet containing this Continuing Care Disclosure Statement and the Resident's Agreement.

**1. Application and Approval:** The prospective Resident completes the application form, which includes the confidential financial statement and returns these documents to Sharon Towers with the application fee (currently \$100 per person). The application fee is nonrefundable unless the applicant is not approved for financial reasons at the time of application. A \$1,000 Future Residency Program deposit is also required. The \$1,000 Future Residency Program deposit is refundable, without interest, upon the applicant's written request unless it is specified as a reasonable service charge should the prospective Resident cancel the Resident's Agreement after agreeing to occupy a specific residence at Sharon Towers. This \$1,000 deposit will be applied to the Entry Fee, without interest, upon admission. The Admissions Committee of Sharon Towers reviews the application and either grants preliminary approval of the application or rejects the application, based on the admissions policy then in effect.

At the point of preliminary approval, the Resident may (1) go on the Future Residency Program List for occupancy at a later time, or (2) reserve an available residence for occupancy in the near future.

**2. Future Residency Program List:** The prospective Resident's name is placed on the Sharon Towers Future Residency Program List in chronological order based on the day and time the application was received. The Admissions Committee will give preliminary approval of the application according to the terms of the admissions policy then in effect. The prospective Resident is notified in writing of his/her approval.

**3. Orientation Visit and Signing Resident's Agreement:** Members of the Future Residency Program who wish to reserve an available accommodation are expected to schedule an orientation visit, with complimentary guest room accommodation, if needed. Prospective Residents moving directly into Assisted Living or Health Care are required to have a medical examination at their expense prior to admission. At this time the incoming Resident may be asked to supplement the application with a current financial statement and other data.

When the prospective Resident wishes to select an available accommodation, he/she notifies Sharon Towers and is invited to select an accommodation according to his/her position on the Future Residency Program List. If there is competition for an accommodation, the Resident with the earlier date on the Future Residency Program List is given first choice. Payment of a reservation deposit equal to 10% of the Entry Fee is due at the time the offer of Sharon Towers is

accepted in writing by the prospective Resident. Sharon Towers may, according to Section III. B., waive the Entry Fee for prospective Residents who qualify for financial assistance. If a prospective Resident pays the 10% reservation deposit and then cancels the Agreement before moving in (for any reason other than illness or death of the Resident or his/her spouse) a reasonable service charge not to exceed the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entry Fee and the non-standard costs to modify the Living Accommodation incurred by Sharon Towers at the request of said prospective Resident will be withheld.

**4. Date of Availability:** The Resident will be notified in writing of the date on which the Resident can occupy his/her living accommodation. This date is referred to as the "Date of Availability." The Date of Availability will be determined by Sharon Towers, based on availability of the accommodation, and will be within a reasonable time following acceptance of the written offer.

The Resident is expected to occupy his/her living accommodation on the Date of Availability and in any circumstance agrees to occupy the living accommodation within 30 days of the Date of Availability. Payment of the Entry Fee is due on the Date of Availability, and the Monthly Service Fee begins to accrue as described below under "Delayed Occupancy."

If customized renovations are made to a living accommodation at the Resident's request, the Date of Availability shall remain the date by which the accommodation would have been ready had the extra work not been ordered.

**5. Date of Occupancy:** The "Date of Occupancy" is the date on which the Resident actually moves into Sharon Towers or the date on which he/she begins paying the Monthly Service Fee, whichever comes first.

**E. Changes of Condition Prior to Occupancy:**

**1. One of a Couple Fails to Meet Admissions Criteria:** All Residents must meet the physical and mental health requirements for admission set forth above under Section III. "Policies," except in the case of couples where one is in need of nursing care and the other is physically able to occupy a living accommodation. In this case, the person needing nursing care may be admitted directly to one of the Health Care Center beds. Separate Entry Fees are due in this circumstance. For purposes of this exception, couples are defined as co-applicants.

**2. Delayed Occupancy:** From time-to-time new Residents are not ready to move to Sharon Towers on the Date of Availability. In those instances, the Resident will be assessed an amount equal to one-half the Monthly Service Fee (without any reduction for meal credit) beginning 30 days after the Date of Availability. Sixty days after the Date of Availability, the full Monthly Service Fee is payable by the Resident regardless of the date of actual occupancy. Whenever the Resident actually occupies the living accommodation, the full Monthly Service Fee shall begin to accrue and be payable.

**3. Changes in Unit Selection:** Should Resident select an accommodation of different size



after making payment, but before occupancy, the appropriate Entry Fee will be adjusted up or down to reflect the current price at Date of Occupancy and the Resident shall also pay the non-standard costs specifically incurred by Sharon Towers at the Request of Resident for each accommodation.

**F. Living Accommodations Made Available to Others Prior to Death:** In the event the Resident has been in the Health Care Center and it has been determined by Sharon Towers' Medical Director or the Resident's personal physician it is unlikely that the Resident will be physically or mentally able to reoccupy his/her Living Accommodation for the reasonably foreseeable future, Sharon Towers may remove, or cause to be removed within fourteen days, the Resident's personal belongings from the Living Accommodation and make the Living Accommodation available to others.

**G. Refunds:** Refund of the Entry Fee following occupancy is described in detail under "Fees," Sections V D., E., F., G., and H.

**H. Moves:**

**1. Moves to and from Health Care Center**

When a Resident moves temporarily from a regular Living Accommodation to the Health Care Center or from the Health Care Center to a regular Living Accommodation, the Resident's Monthly Service Fee, the meal plan fee and the Monthly Service Fee of any other person in the Resident's Living Accommodation shall not be affected, except that Residents in the Health Care Center must pay the Health Care Center Daily Rate in addition to the Monthly Service Fee. If a Resident moves to the Health Care Center on a permanent basis, the Resident's Monthly Service Fee shall be the Health Care Center Monthly Service fee in effect. If one of two Initial Joint Residents moves to the Health Care Center on a permanent basis, the Monthly Service Fee of the Resident remaining in the Living Accommodation shall be the single person rate. Moves to or from the Health Care Center shall not affect the allocation of the Entry Fee between the Residents who occupy a single Living Accommodation. If a Resident entered paying the semi-private Entrance Fee for Assisted Living and within the first 90 days moves permanently to the Health Care Center, a balance equal to the then-current Assisted Living Entrance Fee is due. If a resident entered paying the Health Care Center Entrance Fee and within the first 90 days moves permanently to Assisted Living, Resident shall owe only the Assisted Living Entrance Fee and Resident shall receive a credit if applicable for the Health Care Center Entrance Fee previously paid.

**2. Move to Larger Living Accommodations**

Unless otherwise specifically agreed upon and set forth in writing in an addendum to the Resident's Agreement, if the Resident, after obtaining the consent of Sharon Towers, moves at his/her request from one Living Accommodation to another, the Entry Fee for which is, at the time of the move, greater than the Entry Fee paid by the Resident, then at the time of move the Resident shall pay any fees provided in part III.H.5 below and the difference between the amount paid for

the accommodation being vacated and the current Entry Fee for the accommodation to which the Resident moves. In addition, the Resident shall pay the Monthly Service Fee applicable to the new Living Accommodation based on the number of occupants as of the day the Resident occupies the new Living Accommodation.

### **3. Move to Smaller Living Accommodations**

If the Resident moves at his/her request from one regular Living Accommodation to another, the Entry Fee for which is, at the time of the move, less than the Entry Fee paid by the Resident, the Resident shall not be entitled to any refund or abatement of the Entry Fee as a result of the move. The Resident shall pay any fees provided in part III.H.5 below and the Monthly Service Fee applicable to the new Living Accommodation based on the number of occupants as of the day the Resident occupies the new Living Accommodation.

### **4. Initial Joint Residents – Pro-ration of Entry Fee and Monthly Service Fee When Residency Changes**

The Entry Fee in the case of Initial Joint Residents shall be deemed paid by them in equal shares. This provision shall apply in case Initial Joint Residents are divorced or no longer wish to live together, regardless of the actual source of the funds used to pay the Entry Fee. If one Initial Joint Resident moves to a different Living Accommodation, the moving Initial Joint Resident and the Initial Joint Resident remaining in the Living Accommodation may be subject to the payment of additional Entry Fees based upon the equal pro-ration of the Entry Fee related to changes in type of Living Accommodations.

### **5. No Right That Resident Move to Another Living Accommodation; Other Cases**

Unless otherwise specifically agreed and set forth in writing in an addendum to the Resident's Agreement, the Resident shall have no right to move from one Living Accommodation to another. Moreover, upon execution of the Resident's Agreement and payment of the Entry Fee, the Resident shall be entitled to occupy that type of Living Accommodation for the remainder of his/her life so long as his/her health permits, unless expressly provided otherwise in the Resident's Agreement. Sharon Towers reserves the right in its discretion to require the Resident to move from one Living Accommodation to another of the same type, the costs of which move shall be paid by Sharon Towers. If Sharon Towers initiates any such move, the Resident's Monthly Service Fee shall not be increased as a result of the move and the Resident shall not be required to pay any incremental Entry Fee.

Except for any move approved by Sharon Towers to accommodate a Resident's financial difficulty, a Resident requesting a move from one Living Accommodation to another which is approved by Sharon Towers shall pay to Sharon Towers the then current transfer fee plus any expenses incurred by Sharon Towers with respect to said move.

## **I. Marriage**

### **1. Marriage of Two Residents**

If one Resident marries another Resident and they desire to occupy a Living Accommodation currently occupied by one of them, no additional Entry Fee shall be due and the double occupancy Monthly Service Fee shall apply. Upon the subsequent death of either one of the Residents, it will not be necessary for the survivor to move from the Living Accommodation. The monthly fee will become the current single person fee for a unit of that size.

If Residents who marry desire to move to a type of Living Accommodation not previously occupied by one of them, no additional Entry Fee will be due from either of them if the Entry Fee deemed paid by each of them individually (excluding any amount attributable to a deceased Initial Joint Resident) equals or exceeds the then-applicable Entry Fee with respect to such Living Accommodation. If their combined Entry Fees, including any amount(s) attributable to a deceased Initial Joint Resident(s), exceeds the then current Entry Fee for the new unit, no refund shall be made.

### **2. Marriage of a Resident to a Nonresident**

If a Resident marries a nonresident, the nonresident shall not reside at Sharon Towers unless such person satisfies the then existing admissions criteria of Sharon Towers and until such person has been admitted through the normal application and admissions and orientation policies and procedures. In the event such person is admitted to Sharon Towers, such person shall pay the Entry Fee then applicable for a studio apartment plus the then current Second Person Entry Fee. Once the person is admitted and has paid the applicable Entry Fee and is permitted to occupy the spouse's Living Accommodation or another available residence, such person shall be treated as a Resident who marries another Resident.

## **J. Financial Difficulty**

Residency at Sharon Towers shall not be terminated solely because of the Resident's financial inability to continue to pay all or part of the Monthly Service Fee or Health Care Center Daily Rate. Nevertheless, the Resident's acceptance into Sharon Towers has been based on the accuracy of the Resident's financial statements as updated prior to admission, and Sharon Towers may request Residents to file annually a financial statement with the management of Sharon Towers and potentially must move to a less expensive accommodation. ***The Resident agrees not to pledge, divest or deplete his or her assets through gifts or other voluntary means to the extent that it might jeopardize his or her ability to pay for the cost of care at Sharon Towers.***

If the Resident has misrepresented information on a financial statement or has diminished his/her ability (or the ability of his/her personal estate) to satisfy financial obligations under the Resident's Agreement, by the making of gifts of real or personal property or entering into any financial transactions in bad faith or for reasons other than financial gain, AFTER submitting or supplementing the financial statement and AFTER acceptance into Sharon Towers, Sharon Towers

reserves the right to terminate this Agreement, if as a result of such gifts or financial transaction the Resident is unable to pay and in fact does not pay the Monthly Service Fee or Health Care Center Daily Rate when due.

#### IV. SERVICES

A. **Living Accommodations:** Within each independent living apartment and cottage Sharon Towers furnishes wall-to-wall carpeting and a private bathroom. Residential furnishings may be upgraded at the Resident's cost. Such furnishings, however, become part of the Living Accommodation and the property of Sharon Towers. Blinds are furnished in the living accommodations in the main towers building but are not furnished in the cottages or terrace apartments. Sharon Towers furnishes lodging to Residents in one of the types of Living Accommodations described below, as specified in the Resident's Agreement.

<u>Types of Living Accommodation</u>	<u>Square Feet</u>	<u>Number</u>	<u>Standard Entry Fee*</u>	<u>Standard Single Resident Monthly Service Fee 2021</u>	<u>Standard Double Residency Monthly Service Fee 2021</u>
Terrace Units**	1050-1796	74	\$275,700-\$479,900	\$3,708-\$4,528	\$5,508-\$6,366
Cottages+	850-2299	32	\$256,900-\$655,700	\$3,729-\$5,270	\$5,539-\$7,108
Magnolia Villas	1365-1940	35	\$365,300-\$529,600	\$3,654-\$4,438	\$5,465-\$6,249
2 Bedroom**	750-1000	9	\$140,000-\$245,000	\$3,626-\$3,703	\$5,440-\$5,541
1 Bedroom**	480-1100	60	\$79,000-\$261,100	\$3,303-\$3,824	\$4,923-\$5,662
Studio	250-300	4	\$35,000-\$45,000	\$2,678-\$2,797	\$4,012-\$4,186
Assisted Living	250-480	38	\$26,500-\$39,700	\$5,328-\$7,968	N/A
Healthcare		94++	\$8,300-\$35,000	\$7,897-\$10,898	N/A

Note: All monthly service fees for independent living include one meal per day. \*Entrance Fee for double occupancy add \$16,500 (Second Person Fee)  
 \*\* Entrance Fee add-ons may apply based on location and balcony (ies). + Reduced Entry Fee and Monthly Service Fee may apply, additional 4 cottages under extensive renovation will be brought on line in 2020. ++Unit number will change as units taken off line for various phases of expansion & renovation of the Healthcare Center.

#### B. **Standard Services and Amenities:**

1. **Common Areas; Smoking and Drinking Policies:** Subject to availability, the Resident may use, in common with all the other Residents, the dining facilities, lobby or lobbies, auditorium, lounges, patios, library, social and recreational rooms, and other common facilities furnished by Sharon Towers. The Resident shall not store personal belongings in the common areas. Residents and guests shall refrain from drinking alcoholic beverages in all common facilities, except when reserved for private use. Smoking is not permitted anywhere on campus including private residences.

2. **Utilities:** Sharon Towers will furnish water, light, heat, electricity, and air conditioning. Nothing in the Resident Agreement shall prohibit Sharon Towers from passing along these and other operating expenses to the Resident via the scheduled standard Monthly Service Fee.

3. **Telephone:** Sharon Towers currently provides one telephone per Living

Accommodation. The services of the main Sharon Towers' switchboard and local telephone service are provided for all Residents of Sharon Towers. Residents furnish additional telephone instruments. Any additional expenses, including amplifiers, long distance calls, directory assistance, extra connections, and private lines, are the responsibility of the Resident. Sharon Towers reserves the right to discontinue maintenance of a central switchboard and to discontinue providing local telephone service through the switchboard

**4. Cablevision:** Hookup for basic cable service is provided at no charge. Additional cable services, if available, are the responsibility of the Resident. Sharon Towers reserves the right to discontinue providing cable service.

**5. Wi-Fi:** Sharon Towers provides wireless internet access throughout its facilities at no charge. Sharon Towers reserves the right to discontinue providing this service.

**6. Housekeeping Service; Linens:** The Resident shall maintain the Living Accommodation in a clean, sanitary and orderly condition, and perform all usual light housekeeping tasks in connection therewith. Sharon Towers shall make available standard-sized bed linens, towels, toilet tissue and soap once per week as needed and shall provide housekeeping service in the Living Accommodation once per week.

**7. Laundry; Dry Cleaning:** Automatic washers and dryers for personal laundry are located within the community and are available for Residents' use. Residents must provide their own detergents and bleach. Laundry and dry cleaning services are available at a separate charge, except as otherwise provided in Sharon Towers Adult Care and Health Care Facilities.

**8. Maintenance, Repairs, and Accommodations with Appliances:** Repairs, maintenance and replacement of property and equipment owned by Sharon Towers will be performed and provided at such times as deemed necessary and appropriate by Sharon Towers. Repairs, maintenance, and replacement of property such as light bulbs will be the responsibility of the Resident. In accommodations with appliances, these appliances are provided and maintained by Sharon Towers. If a Resident brings his/her own appliances, Resident is responsible for their upkeep and any cost incurred due to damage caused by the malfunction of the appliance.

**9. Grounds:** Sharon Towers will furnish basic grounds care including lawn service. The Residents of detached cottages at their own expense may plant and maintain the area immediately adjacent to their Living Accommodations, subject to the prior written approval of Sharon Towers. All plants, trees and shrubs so planted shall immediately become and remain the permanent property of Sharon Towers, and Sharon Towers reserves the right to move or remove landscaping material as necessary.

**10. Meals:** Sharon Towers shall make available to the Resident three (3) meals a day, with the exception of Sunday evening meal, in the dining room. The number of meals per day included in the Monthly Service Fee is three for residents of Sharon Towers "Assisted Living Unit" and "Health Care Center." The meals will be nutritionally well-balanced and properly cooked. Reasonable special dietary needs will be accommodated if possible. Sharon Towers requires

Independent Residents, defined as all Residents not living in the Health Care Center or the Assisted Living Unit, to participate in a meal plan which provides each Resident with a pre-set cash balance each quarter to purchase meals, snacks, limited convenience items, a la carte meals and guest meals. The flexible dollar plan does not apply to the purchase of alcohol or catering. The cash balance may be used at any time during the quarter, but **may not** be carried over from one quarter to another. Any purchases over the pre-set cash balance in the quarter, unless paid for in cash, will be charged to the Resident's account and billed the following month. The quarterly meal plan will be billed in advance in three equal monthly payments.

Meal plans are subject to change from time to time and will be published to those participating. In addition, Sharon Towers will make available in accordance with its scheduling policies, a private dining room for family gatherings or other special occasions of the Resident.

**11. Guest Meals:** Residents may have guests at any time, and the guests are welcome to join the Resident for meals in the Dining areas or private dining rooms. Advance reservations for guests may be required. A separate charge for guest meals and private dining room service will be made according to the currently-established rate set by Sharon Towers, which may be modified from time to time. If the Resident desires special menu items, Sharon Towers has no obligation to provide these items, but if it does, an additional charge is made.

**12. Parking:** Each Independent Living Accommodation includes use of one assigned parking space. For Residents of the North Terrace, South Terrace and Magnolia Villa apartments, this space is covered. A second parking space (uncovered) may be assigned for a second car. A limited number of covered parking spaces are available at an additional charge for Residents and are made available on a first-come, first-served basis. Residents cannot sublet parking for space unused. When a Resident no longer drives, Sharon Towers reserves the right to require the Resident to have any vehicles removed from the premises.

**13. Library:** A library is available for use by the Residents.

**14. Convenience Store:** The Lemon Tree Shoppe sells gift items, toiletries and greeting cards and provides prescription service. Convenience grocery store items are for sale in the Bistro. Sharon Towers reserves the right to discontinue these services.

**15. Storage:** Each independent Resident of the East and West Towers is provided one storage bin and limited hanging space in the Sharon Towers storage area. Cottages and terrace apartments provide storage within the residence. Magnolia Villa residents are provided an unconditioned storage space located in the underbuilding parking area. Assisted Living and Health Care Residents are provided storage for hanging garments.

### **C. Services Available at an Extra Charge:**

**1. Prescriptions:** Upon request by a Resident or his/her physician, the Sharon Towers Health Care Center will order prescriptions and refills from one or more pharmacies with which Sharon Towers maintains a contract. The cost of prescriptions will be billed to the Resident.

**2. Medical Transportation/Emergencies:** Sharon Towers shall arrange transportation to and from medical appointments in the Charlotte, North Carolina area via Sharon Towers' transportation or another transportation service. Reservations should be made in advance according to the transportation schedule then in effect. Sharon Towers charges a fee for transportation to and from medical appointments, which fee may vary depending upon the time of day and which fee may be changed from time to time at the discretion of Sharon Towers. Cost of other transportation service or emergency medical transportation will be charged to the Resident.

Sharon Towers follows established procedures in the case of medical emergencies. The Resident is responsible for familiarizing himself/herself with the established procedures prior to needing emergency care.

**3. Barber, Beauty Shop:** A complete beauty shop for use by Residents is available for a separate charge. A barber is available as scheduled and for a separate charge. Sharon Towers reserves the right to discontinue these services.

**4. Covered Parking Spaces:** Residents may sign up for a covered space for the then current monthly fee. Spaces are assigned on a first-come, first-served basis.

**5. Chore Services:** Chore services are available to assist Residents, according to the current fee schedule. Sharon Towers reserves the right to discontinue these services.

**6. Concierge Service West Suite:** Concierge services are available for an additional charge for Residents living in the area designated as the West Suite, currently Fourth Floor West. Sharon Towers reserves the right to discontinue these services.

**7. Guest Room:** A guest room is available at an additional charge on a first-come, first-served basis, for temporary guests.

**8. Companion Services:** Companion services are available at an additional charge. Sharon Towers reserves the right to discontinue these services.

**9. Structural Changes:** All structural or physical changes of any kind within or about the Living Accommodation (including blinds, window treatments, light fixtures, bathroom fixtures, appliances, shelves, framework, awnings, etc.) may be made by the Resident only after written approval by Sharon Towers and thereafter shall be subject to its supervision. The cost of any such change requested by the Resident shall be borne by the Resident, and all such changes shall immediately become and remain the permanent property of Sharon Towers unless otherwise agreed to in writing. If modifications or structural changes would render the residence unmarketable, Resident, or his or her estate, agrees to pay to have the unit restored to a standard marketable condition on termination of this Agreement.

**10. Redecoration:** Redecoration of the Living Accommodation, in addition to or other than that regularly provided by Sharon Towers, must be approved by Sharon Towers, in writing, in advance and will be at the Resident's expense. The Resident's choices may not render the residence

unmarketable upon termination of this Agreement. Any change or replacement by the Resident with respect to either the Living Accommodation or any furnishings provided by Sharon Towers becomes the property of Sharon Towers unless otherwise provided by Sharon Towers in writing. If Resident selects an accommodation with upgrades provided by a former Resident, it is understood that Sharon Towers is not responsible for replacing those upgrades but will replace them with the standard furnishings. Sharon Towers will allow Resident to replace the upgraded furnishings at Resident's expense.

#### **D. Health Care Center and Home Care Services:**

**1. The Health Care Center:** The Corporation is licensed by the North Carolina Department of Health and Human Services ("NCDHHS") to operate 96 Nursing Facility Beds in its health care center (the "Health Care Center"). At present, two of the licensed beds are in a semi-private double room used as a temporary therapy room. All but four resident rooms are private with a semi-private toilet room. The remaining four resident rooms are private with a private toilet room. Common bathing facilities are located throughout the Health Care Center. The Health Care Center consists of two units located on the second and third floors of the Core Building. The second floor Health Care Center unit houses 51 long-term Nursing Facility Beds programmed for residents with dementia and is secured with magnetic locks. The third floor houses 24 long-term Nursing Facility Beds programmed for alert and oriented residents and 19 Nursing Facility Beds that are Medicare-certified for short-term rehabilitation located in the south wing of the floor. The Health Care Center is not Medicare-certified with the exception of its 19-bed, short-term rehabilitation unit. No portion of the Health Care Center is Medicaid-certified.

If the Resident requires temporary or permanent nursing care as determined by the Resident's physician or Sharon Towers' Medical Director, the Resident shall be admitted to the Health Care Center upon order of the physician. Upon admission to the Health Care Center, the Resident shall be, if applicable, responsible for an Entry Fee, Monthly Service Fee, the Health Care Center daily rate, and for all other costs incurred for services of all physicians, equipment, medical supplies, private duty personal nurses, and prescribed medicines. Sharon Towers shall furnish dietary services, nursing care and private-room accommodations with semi-private toilet rooms in the Sharon Towers' Health Care Center, the Home's licensed nursing facility; provided, however, Sharon Towers reserves the right to offer semi-private room accommodations if its nursing facility would otherwise be full.

**2. Assisted Living.** The Corporation is licensed by NCDHHS to operate 40 Adult Care Home Beds referred to herein as an Assisted Living Unit to provide support services for residents requiring assistance with their activities of daily living, including medication administration. The Assisted Living Unit is located on the second and third floors of the West Tower. Two rooms on each floor have been combined to create a one bedroom apartment, making the operational Adult Care Home Bed count 38 units. Each resident room is private with a private bathroom including shower. Programming for the second floor of the Assisted Living Unit is designed for alert and oriented individuals with physical limitations. Programming for the third floor of the Assisted Living Unit is designed for individuals with memory impairment. These Adult Care Home Beds are not Medicare or Medicaid certified.



**3. Home Care Services:** If approved by the Resident's physician, Sharon Towers can provide certain types of care for Residents in their Living Accommodation. This care is coordinated through the Wellness Clinic, and charges are at the current published rates. Daily medications may be administered according to a regular schedule in the Wellness Clinic to Residents requiring medication supervision. This service is provided as one of the Home Care services for which there is an additional charge. Sharon Towers' Home Care is not Medicare or Medicaid certified.

**4. Personal Assistants:** Personal assistants and companions along with companies providing personal assistants and companions must be disclosed and approved by Sharon Towers before they are allowed access to Sharon Towers' facilities. Sharon Towers may limit, terminate the services, or refuse access to its grounds or facilities by such companies or assistants. All assistants must satisfy Sharon Towers Pre-Employment Standards, including but not limited to a satisfactory criminal record check, and drug screening. The Resident is responsible for any injury to others or damage to the property of others or Sharon Towers by the Resident's assistant.

#### **E. Handling Complaints:**

Resident satisfaction is very important to Sharon Towers, and a number of avenues are readily available to each Resident to express opinions, to request services, or to improve services. All Residents have the right to express their concerns to Management without fear of retaliation. Management handles any grievance with sensitivity, compassion and confidentiality. Residents are asked to voice concerns to the appropriate manager at the time the concern arises. If the matter is not resolved at that level, it is to be brought to the attention of Management in the following sequence. In all cases the decision of the CEO is final.

A Resident or family member shall not directly reprimand any employee of Sharon Towers and must first bring their concern to the immediate supervisor in charge of the service area to which the concern relates.

If the concern persists, the Resident or family member next brings the matter to the attention of the supervisor's supervisor to resolve the concern.

If in Step 1, the immediate supervisor is a Department Head, the following meeting is to be scheduled with the Administrator, COO, CEO, or his/her designee.

Depending on the nature of the concern, the CEO may ask for a family conference. The family conference involves only the CEO, knowledgeable professional staff of Sharon Towers, the Resident, the Resident's physician and members of the Resident's immediate family.

The Resident will be presumed to represent his or her own interest in dealings with Sharon Towers. If the Resident is unable to do so the Resident's legal representative must name one family member as the person who speaks for the Resident and the family.

## V. FEES

**A. Summary of Fees:** Each person desiring to occupy a residence at Sharon Towers is required to sign a Resident's Agreement, a copy of which is included with this Disclosure Statement as Exhibit E, and to pay certain deposits in the application process which are described in Sections V.B. and V.C. below. (A person who signs a Resident's Agreement is referred to herein as a "Resident," even before actually moving to Sharon Towers.) The Resident's Agreement specifies the services provided by Sharon Towers and the payments for those services to be made by the Resident. The discussion in this Disclosure Statement is qualified in its entirety by reference to the Resident's Agreement. In general, the payments consist of a one-time fee based on the type of Living Accommodation (the "Entry Fee" or the "Entrance Fee"), and a monthly charge based on the type of Living Accommodation, number of occupants, and the meal plan selected (the "Monthly Service Fee"). An additional payment, presently \$169.00 per day (the "Health Care Center Daily Rate"), is required if the Resident is temporarily in the Nursing Facility (which Sharon Towers refers to as its "Health Care Center"). The payments are described in more detail below. Unless otherwise indicated, the services described herein are provided without charge other than the Entry Fee, Monthly Service Fee and Health Care Center Daily Rate.

**B. Application Fee and Future Residency Program Deposit:** As discussed under Section III.D. "The Admissions Process," after the Resident completes the application, including the confidential financial statement, and returns these documents to Sharon Towers, the Resident pays a nonrefundable application fee of \$100 per person and a refundable Future Residency Program deposit of \$1,000 (the "Future Residency Program Deposit"), which amount is credited to the Entry Fee upon admission. Interest is not paid to depositors.

**C. Ten Percent Reservation Deposit:** At the time a Resident selects a specific residence, he/she grants Sharon Towers permission to request his/her medical records, shall execute a Reservation Agreement in the form attached hereto as Exhibit F, and shall pay a deposit of 10% of the Entry Fee (the "Reservation Deposit"), which amount is credited to the Entry Fee upon admission. Resident shall not be entitled to any interest for the Reservation Deposit or other sums deposited with Sharon Towers. Certain charges as provided in the Reservation Agreement will be incurred by a Resident in the event a Resident rescinds or terminates the Reservation Agreement including, but not limited to, a reasonable service charge not to exceed the greater of one thousand (\$1,000) or two percent (2%) of the Entry Fee, the Custom Upfits Cost and any other applicable costs as provided in the Reservation Agreement if a reservation is canceled after 30 days for reasons other than illness or death of the Resident or his/her spouse. (See Section III. D.3.)

**D. Entry Fee:** Sharon Towers charges an Entry Fee payable upon admission and based upon the type of Living Accommodation to be occupied by the Resident. Payment of the Entry Fee provides the Resident with the lifetime use of the Living Accommodation, together with the available facilities, services, amenities and medical care, or for such shorter period as shall apply pursuant to the terms of the Resident's Agreement. The Entry Fee, less the Reservation Deposit paid by Resident (See Section V.C.), shall be due on the Date of Availability (See Section III.D.4.). The current standard Entry Fee rates are set forth in Section IV.A., entitled, "Living Accommodations." In the case of a couple in which one of a couple is admitted directly to

Healthcare, the current entry fee is that of a studio apartment. The Standard Entry Fee, or a portion of the Standard Entry Fee, will be refunded pursuant to Sections V.F., V.G. and V.H. if the Resident's Agreement is terminated within one year after the Date of Occupancy.

Sharon Towers offers a 50% Refundable Entry Fee option for a premium, subject to availability, which is based on Resident's life expectancy using actuarial tables in use at the time of the signing of the Resident's Agreement. The Entry Fee, or a portion of the Entry Fee, will be refunded to pursuant to Sections V.F., V.G. and V.H. if the Resident's Agreement is terminated within one year after the Date of Occupancy. Thereafter, upon a Resident's death, or upon the death of the second Initial Joint Resident in the case of a couple who are Initial Joint Residents, Sharon Towers shall refund the Resident's estate 50% of the Entry Fee paid upon admission (See Section V.F. for Refund Provisions).

Sharon Towers also offers a 90% Refundable Entry Fee option for a premium, subject to availability, which is based on Resident's life expectancy using actuarial tables in use at the time of the signing of the Resident's Agreement. The Entry Fee, or a portion of the Entry Fee, will be refunded to pursuant to Sections V.F., V.G. and V.H. if the Resident's Agreement is terminated within one year after the Date of Occupancy. Thereafter, upon a Resident's death, or upon the death of the second Initial Joint Resident in the case of a couple who are Initial Joint Residents, Sharon Towers shall refund the Resident's estate 90% of the Entry Fee paid upon admission (See Section V.F. for Refund Provisions).

**E. Transfer Fee:** Resident(s) requesting a move from one independent living accommodation to another, to cover administrative costs, which is approved by Sharon Towers, shall pay to Sharon Towers a one-time transfer fee plus any expenses incurred by Sharon Towers with respect to said move, including moving expenses and the cost of any resident requested upgrades made to the new accommodation, such as paint, carpet, wallpaper, etc.

**F. Refund Provisions:** In certain circumstances described in the Reservation Agreement or Resident's Agreement and summarized below, the Resident shall be entitled to a full or partial refund of the Entry Fee. Any refund of the Entry Fee (due under terms of the Resident's Agreement) shall be payable before the later of (a) thirty (30) days after the Resident has vacated Sharon Towers, or (b) thirty (30) days after the Resident becomes entitled to the refund under the Resident's Agreement. The Resident should refer to the provisions of the Reservation Agreement and the Resident's Agreement for a precise understanding of the circumstances under which the Entry Fee is refundable.

The Resident may terminate the Resident's Agreement within 30 days following the later of date the Resident executes the Resident's Agreement or the date Resident receives a Disclosure Statement. In such case, the Resident is entitled to a refund of all amounts paid to Sharon Towers (including the Future Residency Program Deposit, and Reservation Deposit), less: (a) the amount of the application fee (to the extent the application fee does not exceed \$1,000), (b) the cost of the medical examination or other costs incurred by Resident, (c) a reasonable service charge not to exceed the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee, and (d) the Monthly Service Fee and other charges incurred during the period in which the Resident

occupied a Living Accommodation at Sharon Towers. The resident shall not be entitled to have any nonstandard costs to modify the Living Accommodation (paid by the Resident) returned to the Resident.

If, prior to occupancy, the incoming Resident dies or is unable to occupy his/her Living Accommodation due to illness, injury or incapacity, the Resident Agreement will be automatically cancelled and the Resident or his/her designated Testamentary Recipient shall receive a refund of all amounts paid to Sharon Towers, including the Future Residency Program Deposit and Reservation Deposit, excluding any nonstandard costs incurred by Sharon Towers and the Application Fee. There are special rules in the case of couples who jointly sign one Resident's Agreement intending to occupy one Living Accommodation together. (Such persons are termed "Initial Joint Residents" herein and in the Resident's Agreement.) Upon the death of an Initial Joint Resident, that portion of the Entry Fee deemed paid by the deceased Initial Joint Resident shall be deemed to have been paid by the surviving Initial Joint Resident.

**G. 90-Day Trial Period:** A 90-day Trial Period commences on the Date of Occupancy. During this 90-day Trial Period either Sharon Towers or the Resident may terminate the Resident's Agreement for any reason. In the case of termination by Sharon Towers during the Trial Period, the Resident is entitled to a refund of the entire Entry Fee. In the case of termination by the Resident during the Trial Period, the Resident is entitled to a refund in accordance with the schedule set forth in the following paragraph subject to any charges set forth in part V.E. Provided, however, the Resident shall not be entitled to have any nonstandard costs to modify the Living Accommodation (paid by the Resident) returned to the Resident.

**H. Termination:** The Resident's Agreement may be voluntarily terminated by the Resident for any reason at any time and will be automatically terminated in the case of the Resident's death. Sharon Towers may terminate the Resident's Agreement after the Trial Period only if the Resident makes or has made any material misrepresentation or omissions in his/her application, financial statement or medical records, or has willfully divested him/herself of funds, or if it is determined by the Board of Directors of Sharon Towers that continued occupancy at Sharon Towers by the Resident creates a threat to the life, health, safety or peace of the Resident or other Residents, employees, or other persons on the premises, or if the Resident breaches the Resident's Agreement. In the case of a termination, the Entry Fee will be refunded in accordance with the following schedule:

**1. Refund Schedule, Terms**

If Termination Occurs within the Following Number of Days after the Date of Occupancy:	The Percentage of the Standard Entry Fee that Shall be Refunded Is:	The Percentage of the 50% Refundable Entry Fee that Shall be Refunded Is:	The Percentage of the 90% Refundable Entry Fee that Shall be Refunded Is:
First 30 days	100%	100.00%	100.00%
31-60 days	95%	95.8%	99.13%
61-90 days	90%	91.7%	98.30%
91-120 days	85%	87.49%	97.47%
121-150 days	80%	83.32%	96.64%

151-180 days	75%	79.15%	95.81%
181-210 days	70%	74.98%	94.98%
211-240 days	65%	70.81%	94.15%
241-270 days	60%	66.64%	93.32%
271-300 days	55%	62.47%	92.49%
301-330 days	50%	58.30%	91.66%
331-365 days	40%	54.13%	90.83%
after 365 days	0%	50.00%	90.00%

After 365 days from the day on which the Resident first occupies the Living Accommodation, none of the Entry Fee is refundable in the Standard Plan; 50% is refundable in the 50% Refundable Plan; 90% is refundable in the 90% Refundable Plan. In the event that occupancy has been delayed, but the Resident has commenced paying monthly service fees, refunds are calculated based on the assigned Date of Occupancy. Sharon Towers reserves the right to make the above-scheduled refund of a Resident's Entry Fee conditional on the receipt by Sharon Towers of another Entry Fee of an equal or greater amount, from a person who was not an Entry Fee depositor on Sharon Towers' Future Residency Program List on the date the Resident's Agreement was terminated and provided that said Entry Fee has not been previously allocated to enable another Resident to receive a refund of his/her Entry Fee. This condition shall not apply if the Resident terminates the Resident's Agreement within 30 days of execution of the Resident's Agreement, or if the Resident dies before occupying a Living Accommodation, or if the Resident is precluded from initially occupying a Living Accommodation due to illness, injury or incapacity, or if Sharon Towers terminates the Resident's Agreement during the Trial Period.

A Resident who participates in the refundable entrance fee plan and subsequently qualifies for and receives financial assistance from Sharon Towers, agrees and consents that when the Resident or the Resident's estate becomes entitled to payment of any refundable entrance fee, that such refund will be reduced by Sharon Towers in an amount equal to the financial assistance received by the Resident from Sharon Towers. Once Sharon Towers is fully reimbursed, the Resident or the Resident's estate shall then receive the balance due under the refundable entrance fee plan. If the Resident does not receive any financial assistance from Sharon Towers, then any payments made by Sharon Towers under the refundable entry fee plan shall be paid without any such reduction.

- I. **Monthly Service Fee:** In addition to the Entry Fee, the Resident must pay a Monthly Service Fee once occupancy has begun or once the Living Accommodation is deemed available as described herein. The Monthly Service Fee is based on the type of Living Accommodation occupied by the Resident, the number of persons occupying the Living Accommodation and the meal plan selected. The Monthly Service Fee may be increased or decreased at the discretion of Sharon Towers, but no increase or decrease shall be effective until the Residents shall have received at least 30 days' notice of such change, unless the change is necessitated by a change in law. The Monthly Service Fee is due by the 15th of the month. A one percent per month late charge is billed on past-due accounts.

**Historic Changes in Fees for Previous Five Years**  
**For Fiscal Year Beginning January 1\***

Type of Living Accommodation	2016	2017	2018	2019	2020	Average Annual Price Change	
Studio East/West +	53	71	79	80	94	75	
Large Studio East/West +	56	75	82	83	98	79	
One Bedroom (1 person) East/West	66	88	97	99	116	93	
One Bedroom (2 persons) East/West	98	131	145	147	172	139	
One Bedroom Lg (1 person) East/West	68	90	100	101	119	96	
One Bedroom Lg (2 persons) East/West	102	134	149	150	177	142	
One Bedroom Exp (1 person) East/West	73	97	106	109	127	102	
One Bedroom Exp (2 persons) East/West	109	145	160	162	191	153	
One Bedroom Dlx (1 person) East/West	0	0	0	116	134	50	New in 2018
One Bedroom Dlx (2 persons) East/West	0	0	0	172	198	74	New in 2018
Two Bedroom (1 person) East/West	73	97	106	109	127	102	
Two Bedroom (2 persons) East/West	109	145	160	162	191	153	
Two Bedroom Lg (1 person) East/West	74	98	107	110	128	103	
Two Bedroom Lg (2 persons) East/West	111	147	163	165	193	156	
Two Bedroom Exp (1 person) East/West	77	37	109	111	129	93	
Two Bedroom Exp (2 persons) East/West	113	156	164	166	195	159	
Cottage (1 person) ** (A)	74	100	109	112	130	105	
Cottage (2 persons) ** (A)	111	148	162	166	194	156	
Cottage (1 person) ** (B)	84	112	123	125	146	118	
Cottage (2 persons) ** (B)	117	155	172	174	204	164	
Cottage (1 person) ** (C)	89	117	128	130	153	123	
Cottage (2 persons) ** (C)	122	163	180	183	214	172	
Cottage (1 person) ** (D)	92	122	135	137	160	129	
Cottage (2 persons) ** (D)	127	169	186	190	221	179	
Cottage (1 person) ** (E)	98	130	143	145	171	137	
Cottage (2 persons) ** (E)	136	180	197	202	235	190	
Cottage (1 person) ** (F)	106	141	155	157	185	149	
Cottage (2 persons) ** (F)	144	191	210	213	250	202	
Sunnybrook Cottage (1 person) Small					145	145	New in 2019
Sunnybrook Cottage (2 persons) Small					206	206	New in 2019
Sunnybrook Cottage (1 person) Large					158	158	New in 2019
Sunnybrook Cottage (2 persons) Large					222	222	New in 2019

Terrace 1BR/Den (1 person) (A)	39	100	110	111	131	98
Terrace 1BR/Den (2 persons) (A)	60	150	166	169	197	148
Terrace 2BR (1 person) (B)	81	109	120	123	143	115
Terrace 2BR (2 persons) (B)	121	161	178	180	212	170
Terrace 2BR/Den (1 person) (C)	76	121	133	135	159	125
Terrace 2BR/Den (2 persons) (C)	108	172	189	192	226	177

Villa Cotswold (1 person)			107	110	128	115	New in 2017
Villa Cotswold (2 persons)			161	163	191	172	New in 2017
Villa Dilworth (1 person)			122	124	146	131	New in 2017
Villa Dilworth (2 persons)			175	179	208	187	New in 2017
Villa Foxcroft (1 person)			129	132	154	138	New in 2017
Villa Foxcroft (2 persons)			183	185	218	195	New in 2017
Villa Eastover (1 person)			130	103	186	140	New in 2017
Villa Eastover (2 persons)			184	186	219	196	New in 2017
Assisted Living - One Room	133	155	168	174	198	166	
Assisted Living - Two Rooms	197	235	251	260	296	248	
Health Care	213	257	247	277	328	264	

\* Rates for independent living are based on one meal a day

\*\* Cottages are under renovation or being rebuilt as part of our Cottage Renewal Program. Please contact the Marketing Department for more information.

+ Reduced rates may apply.

As discussed above under Section III.D. "The Admissions Process," each prospective Resident must pay a nonrefundable application fee and Future Residency Program Deposit, as established by Sharon Towers from time to time. The application fee is refundable if the Resident's Agreement is terminated by the Resident within 30 days after the day the Resident's Agreement is signed. Each prospective Resident is expected to visit Sharon Towers for a complimentary orientation.

Sharon Towers makes separate charges for guest meals, the use of private dining rooms, catered meals/food, special menu items and the use of covered parking spaces. Laundry and dry cleaning, chore services and concierge services are available for a separate charge. Separate charges are made for the services of the Sharon Towers barber and beautician. The Resident shall be responsible for all costs incurred for services of all physicians, medical equipment, medical supplies, private duty personal nurses, home care services and prescription medicines, regardless of whether the Resident is in the living unit or in the Sharon Towers Health Care Center. Sharon Towers arranges transportation for a fee to and from medical appointments in the Charlotte, North Carolina area according to a schedule, provided that arrangements are made in advance. Costs of

emergency medical transportation or outside transportation services are charged to the Resident.

**J. Health Care Center Fees:** If it is determined that the Resident will reside in the Health Care Center on a permanent basis, the Resident will be charged the Health Care Center Monthly Service Fee in effect. Residents residing in the Health Care Center on a temporary basis pay the Monthly Service Fee for the Living Accommodation retained by the Resident, the current meal plan charge, plus the Health Care Daily Rate for days actually spent in the Health Care Center. Subject to the Ninety Day Health Care Center Rule discussed below, the Health Care Center Daily Rate shall be established and announced by Sharon Towers from time to time. Sharon Towers may increase the Health Care Center Daily Rate; which increase shall be applicable to the Resident. Sharon Towers will not increase the Health Care Center Daily Rate, however, without 30 days prior notice. The current Health Care Center Daily Rate is \$169.00 per day. The Health Care Center Daily Rate increased, \$5.00 in 2017, \$7.00 in 2018, \$6.00 in 2019, \$7.00 in 2020 and \$6.00 in 2021. As explained in more detail below, if the Ninety Day Health Care Center Rule applies, the Health Care Center Daily Rate will increase after 90 days to the adjusted daily cost of care for Health Care Center Residents, plus the charge for the residential accommodation retained by the Resident.

**K. Ninety Day Health Care Center Rule:** If a Resident who lives in a Living Accommodation has been in the Health Care Center on a temporary basis for more than 90 days, but it has not been determined by Sharon Towers' Medical Director or the Resident's personal physician that the Resident is unable physically or mentally to reoccupy his/her Living Accommodation for the reasonably foreseeable future, then in lieu of the basic regularly established Health Care Center Daily Rate (currently \$169.00), the Resident shall pay a daily rate equal to the actual daily cost of care for Health Care Center patients (crediting meals billed as part of the regular Monthly Service Fee), plus the charge for the residential accommodation retained by the Resident. The Daily Nursing Cost as of May 31, 2021, is \$358.00.

If it is subsequently medically determined that the Resident is unable to reoccupy his/her Living Accommodation and that Sharon Towers may make it available to another occupant, the cost to the Resident residing in the Health Care Center shall be the Health Care Center Monthly Service Fee in effect. In this case, the Resident's possessions are to be removed from the living accommodation in order that it might be made available to a new Resident. From the date that Health Care Center residency is declared permanent, a charge of one-half the daily rate for the Living Accommodation will accrue for fourteen days, after which the full monthly fee will be applied until the living unit is cleared of belongings and the key is returned to management.

## **VI. FINANCIAL INFORMATION**

Sharon Towers' financial statement for its year ended December 31, 2020, as audited by CliftonLarsonAllen LLP independent certified public accountants, appear as Exhibit A of this Disclosure Statement. Projected statements compiled by CliftonLarsonAllen LLP of Support, Operating Revenues, Expenses and Fund Balances for the calendar years 2021-2025, including a description of the assumptions used in preparing the pro forma statements, appear as Exhibit D.



The forecast incorporates Phase I of the long-range campus plan as described in Section IX of this Disclosure Statement.

The current interim financial statement for the four months ending April 30, 2021 is attached as Exhibit C.

## **VII. ACTUARIAL STUDY**

As part of its due diligence, in preparation for Phase I of its long-range campus plan as described in Section IX of this Disclosure, The Presbyterian Home at Charlotte, Inc. engaged an actuary to perform an actuarial study to estimate the capacity of The Presbyterian Home at Charlotte, Inc. to meet its contractual obligations to its residents. The study assumed Phase I of the long-range plan moves forward. An Actuarial Opinion by an actuarial firm was received on April 15, 2019 regarding the condition of The Presbyterian Home at Charlotte, Inc. as of December 31, 2018. An opinion was issued in accordance with Actuarial Standards of Practice #3 (ASOP#3) indicating The Presbyterian Home at Charlotte, Inc. has the capacity to meet its contractual obligations to its residents.

## **VIII. RESERVES, ESCROW & TRUSTS**

**A. Trust and Gift Assets:** Sharon Towers is the income beneficiary of five trusts (in addition to the Stroupe Residents' Assistance Fund described in B), which in 2020 generated \$19,202 in income. Trust earnings are used to provide assistance to Residents as described below, Section VII. B., Residents' Assistance Program, or as otherwise designated by trustees.

The value of Sharon Towers' portion of the principal of the individual trusts and 2020 revenue from each trust are as follows:

<b>Belle W. Johnston Trust</b>	Principal: \$265,249	Revenue: \$9,548
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<b>Ann Smith Trust:</b>	Principal: \$ 61,763	Revenue: \$2,223
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**Grace M. Batten Fund:** income designated to provide resources for members of the Home who are unable to pay their own way.

	Principal: \$ 4,356	Revenue: \$ 157
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<b>Romola Davis Hardy Trust:</b>	Principal: \$162,372	Revenue: \$6,800
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**Kathleen Foard Harkey Memorial Fund:** There are no restrictions on use of earnings of this fund.

	Principal: \$ 13,162	Revenue: \$ 474
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The values of the trusts shown above are not carried on the Sharon Towers balance sheets included as a part of the financial statements. They are treated as interest-only assets, and there is no plan to liquidate the principal of the aforementioned trusts.

**B. Conger C. Stroupe and Dorothea B. Stroupe Residents' Assistance Fund, formerly known as Sharon Towers Scholarship Fund:**

In 1981, Sharon Towers created a revocable trust known as the Sharon Towers Support Fund, later named the Residents' Assistance Fund, a portion of which is now known as the Stroupe Residents' Assistance Fund (The "Fund"). The purpose of the Fund is to generate interest income to subsidize Entrance Fees and Monthly Service Fees for Residents unable to meet the full cost of care from their own resources. From time to time, Sharon Towers and others have made contributions to the Fund. Assistance for Residents who experience financial difficulty is considered an essential part of Sharon Towers' mission and in 2020 provided \$1,340,544 in charitable care and community benefit.

During 1996 and 1997, Sharon Towers received a \$1,563,500 bequest from Conger C. Stroupe, who served as Administrator at Sharon Towers and for the three years preceding his death was a Resident of the home. The Fund is now named the Conger C. Stroupe and Dorothea B. Stroupe Residents' Assistance Endowment. The Fund is in two parts: The Stroupe Endowment and the Residents' Assistance Fund. The Residents' Assistance Fund portion has been restricted by Board action to serve as the Operating Reserve required by the North Carolina General Statutes (See Section VII. D. below). The Fund is administered by BB&T. At December 31, 2020 the fair market value of the investments of the Fund was \$13,606,378 and the portion of the Fund available to serve as the Operating Reserve was \$11,578,652.

Interest from these funds plus annual fundraising activities are used towards satisfying Residents' assistance needs.

**C. Rosebro Foundation:** Sharon Towers was notified in 2018 that it is one of the recipients of the John W. and Frances W. Rosebro Foundation and received distributions totaling \$815,903 in 2020. The Fund was completely paid out in 2020 and no additional distributions are expected.

**D. Operating Reserves Requirement:** Section 58-64-33 of the North Carolina General Statutes requires continuing care facilities to establish an operating reserve equal to 25% of the total operating costs projected for the twelve month operating period following the period covered by the facility's most recent annual statement if occupancy is 90% or above. Sharon Towers currently maintains an occupancy rate in excess of 90%. In the financial forecast attached hereto as Exhibit D, the Operating Reserve is designated.

Operating Reserve Requirement Calculations

Total Projected Operating Costs for 2021	\$24,030,000
Plus Principal Payment – Long Term Financing	-----
Less Depreciation for 2021	(3,689,000)
Amortization on Bond Issuance Cost & Bond Premium	188,000
<u>Debt Service Portion</u>	<u>(207,000)</u>
Net Operating Costs	\$20,322,200

Percentage of Operating Costs Required	<u>x 25%</u>
Total Projected Operating Reserve Required for 2021	\$5,080,500
Assets Available to Fund Operating Reserve	\$29,775,803

**E. Investment of Liquid Assets:** As indicated on the financial statements attached hereto, at December 31, 2020 Sharon Towers had marketable investments valued at \$32,807,809. (Note also that as of December 31, 2020 Sharon Towers had as a liability "Refundable Entry Fees" of \$14,717,229 representing Entry Fees received or receivable but which are subject to full or partial refund.)

As stated in Section VIII.D. above, funds designated to meet the Operating Reserve requirement are managed by BB&T.

Investment decisions are made in accordance with the Corporation’s Board of Director’s approved investment policy (the “Investment Policy”), with oversight provided by such board. The Investment Policy establishes guidelines for the investment of the assets of the Corporation consistent with its corporate objectives. The primary investment objective for the Resident’s Assistance Fund accounts is to provide adequate funds to allow distributions to the Corporation’s operating account to help fund the Resident Assistance Program, as well as provide real growth of assets subject to the risk and liquidity requirements of the Investment Policy. Similarly, the primary investment objective for accounts other than the Resident Assistance Program accounts is to provide adequate funds to allow distributions to the Corporation’s operating account when necessary, as well as provide real growth of assets subject to the risk and liquidity requirements of the Investment Policy.

The Corporation utilizes an independent investment advisor who is given full discretion to develop and execute an investment strategy to achieve the objectives in the Investment Policy. The current Investment Policy, which has a balanced asset allocation strategy consisting of 40% fixed income and 60% equities, allows the investment manager to adjust the asset allocation within stated ranges.

**IX. FACILITY DEVELOPMENT/EXPANSION**

Sharon Towers’ Board of Directors approved a long-range campus plan (the “Plan”) located along the north portion of its campus as well as 2.5 acres of contiguous property purchased in 2014. The primary goal of the Plan is to revitalize the community through a variety of improvements that are centered around resident care, independence, and choice, while positioning Sharon Towers for the next generation of residents.

Sharon Towers received rezoning approval of the Plan in September of 2018. Funding for Phase I of the Plan was obtained on December 5, 2019 with \$75,940,000 in Series 2019A Public Fixed Rate Bonds through the NC Medical Care Commission and \$18,000,000 in Series 2019B Direct Bank Placement Bonds through BB&T. The funding plan also includes \$4.5M in Sharon Towers’ equity.

Phase I of the plan includes the expansion and renovation of its health care building (to include two floors of health care, as well as dining, wellness clinic, beauty shop and activity area amenity spaces) and the building of a five-story 42-unit independent living structure with underbuilding parking known as The Deerwood (included in the “Project” as noted below, or “Phase 1”). The Deerwood apartments will range in size from approximately 1,000 to 2,150 heated square feet with each apartment having a private terrace. In addition, Sharon Towers will create a green space for residents and surrounding community members using two parcels, equaling a half-acre that is contiguous to the existing campus and is owned by Sharon Towers.

Site work began in May of 2019. The original construction timeline called for Phase I taking approximately 28 months from the date of financing. COVID-19 temporarily halted the renovation/expansion of the healthcare building, which is anticipated to add time and cost to the end of the project. Construction of The Deerwood has continued and is expected to be completed in December 2021.

Phase 2 of the Plan includes the addition of a second five-story independent living building with approximately 32 apartments, a fitness facility, and a mixed-use area to include a performing arts space, restaurant with greenhouse, and a small amount of retail and office space. Phase 2 also incorporates an additional 526 independent living apartments atop the mixed use and fitness facilities. **Although the Plan ultimately anticipates Phase 2, the timing of Phase 2 is subject to variation and the scope of Phase 2 can change materially from what is planned at this time. Phase 2 has therefore not been considered in Management’s Projection**

### **The Project**

Management plans to develop 42 new independent living apartments (the “New Independent Living Apartments”) and renovate and expand their existing health center (the “New Health Center”). The New Independent Living Apartments and the New Health Center are to be located on the existing campus. The New Independent Living Apartments and the New Health Center are also referred to as the “Project.” The half-acre green space is located on two parcels contiguous to the existing campus and owned by Sharon Towers.

### **Other**

In 2019, Sharon Towers began a multi-year project to improve and upgrade HVAC systems in both the East Tower and the West Tower of the facility. The existing HVAC systems are dated and less efficient than new systems. Indoor air quality at the facility and the status of the current HVAC systems are typical for facilities of this type and in buildings of similar age, but can be improved. Sharon Towers consulted with HVAC engineers, an industrial hygienist, and an environmental toxicologist to develop this upgrade and improvement plan. Sharon Towers plans to replace existing HVAC mixing boxes, insulation, and certain ductwork in the East Tower and take other remedial measures for HVAC systems in the West Tower to improve air quality in these areas. The HVAC project will result in some disruption to facility operations and will require the temporary relocation of residents to other rooms at Sharon Towers as their respective units are worked on.

## **X. RESIDENT'S AGREEMENT**

The Sharon Towers Resident's Agreement is included as Exhibit E of this Disclosure Statement.

## **XI. OCCUPANCY**

Of a total 214 available cottages and apartments, 204 are occupied or reserved as of May 24, 2021. The total number of residents at Sharon Towers is 337. At this time, 37 assisted living beds are occupied, and we currently have 48 residents in the Health Care Center's Nursing Facility beds with a 2021 daily average of 8.3 individuals in the Medicare certified Skilled Nursing Facility. See Section XII for information on COVID-19's impact on occupancy.

## **XII. COVID-19 PANADEMIC**

On March 11, 2020, the World Health Organization declared a pandemic due to COVID-19, a highly contagious, respiratory disease caused by a new strain of coronavirus. Beginning March 12, 2020, Sharon Towers followed the guidance for senior living and long-term care facilities published by the Centers for Disease Control and Prevention, the Centers for Medicare & Medicaid Services, and the North Carolina Department of Health and Human Services ("NCDHHS"). The protocols implemented by Sharon Towers included temporarily eliminating outside visitors to the community and daily screening of all staff, construction workers, and eventually outside visitors to the community prior to entry. Also, on March 12, 2020 Sharon Towers temporarily suspended "direct" admissions to its skilled nursing unit; i.e., admissions to the skilled nursing unit from persons who were not already residents within the community. A limited number of "direct" admissions to the skilled unit were later restarted as permitted by the local health department.

The pandemic, its impact on the ability to use traditional marketing strategies, and resulting governmental regulations, have all negatively impacted occupancy through 2020 and into the first quarter of 2021. Management has seen occupancy levels improve as restrictions have loosened and anticipates this trend will continue.

EXHIBIT A  
TO  
THE PRESBYTERIAN HOME AT CHARLOTTE, INC.  
(SHARON TOWERS)  
CONTINUING CARE DISCLOSURE STATEMENT

INDEPENDENT AUDITOR'S REPORT  
BALANCE SHEETS AS OF DECEMBER 31, 2020  
AND STATEMENTS OF SUPPORT AND  
OPERATING REVENUES, EXPENSES AND FUND  
BALANCES, AND CASH FLOWS FOR THE  
YEAR ENDED DECEMBER 31, 2020

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2020 AND 2019**



[CLAconnect.com](http://CLAconnect.com)

WEALTH ADVISORY

OUTSOURCING

AUDIT, TAX, AND  
CONSULTING

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.  
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CliftonLarsonAllen LLP  
CLAconnect.com

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Presbyterian Home at Charlotte, Inc.  
Charlotte, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Presbyterian Home at Charlotte, Inc. (Sharon Towers) (a nonprofit corporation), which comprise the balance sheets as of December 31, 2020 and 2019 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Board of Directors  
The Presbyterian Home at Charlotte, Inc.

***Opinion***

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

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules by fund are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material aspects in relation to the financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
March 30, 2021

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**

<b>ASSETS</b>	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 9,209,737	\$ 7,937,861
Receivables:		
Residents and Other, Net	1,079,053	1,314,781
Contributions, Current Portion	246,498	1,446,780
Investments	27,732,059	18,296,108
Assets Whose Use is Limited, Current Portion	1,756,875	-
Prepaid Expenses	351,730	378,510
Total Current Assets	<u>40,375,952</u>	<u>29,374,040</u>
<b>ASSETS WHOSE USE IS LIMITED</b>		
Statutory Operating Reserve	5,075,750	5,354,250
Held Under Bond Agreements	45,785,663	70,707,294
Capital Campaign Fund	2,645,915	1,290,316
Subtotal	<u>53,507,328</u>	<u>77,351,860</u>
Less: Amounts Available for Current Liabilities	(1,756,875)	-
Total Assets Whose Use is Limited	<u>51,750,453</u>	<u>77,351,860</u>
<b>CONTRIBUTIONS RECEIVABLE, NET OF CURRENT PORTION</b>	383,636	1,065,239
<b>ENTRANCE FEE ESCROW</b>	2,293,314	2,120,645
<b>PROPERTY AND EQUIPMENT, NET</b>	95,615,442	67,636,406
<b>OTHER ASSETS</b>	<u>4,000</u>	<u>4,000</u>
Total Assets	<u><u>\$ 190,422,797</u></u>	<u><u>\$ 177,552,190</u></u>

See accompanying Notes to Financial Statements.

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.  
BALANCE SHEETS (CONTINUED)  
DECEMBER 31, 2020 AND 2019**

<b>LIABILITIES AND NET ASSETS</b>	<u>2020</u>	<u>2019</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 4,171,628	\$ 2,363,593
Accrued Payroll and Related Items	685,430	934,692
Accrued Interest Payable	1,751,677	198
Refundable Advance	1,387,337	-
Total Current Liabilities	<u>7,996,072</u>	<u>3,298,483</u>
<b>REFUNDABLE ENTRANCE FEES</b>	4,654,229	4,654,229
<b>DEFERRED REVENUE</b>	28,848,165	27,735,711
<b>ENTRANCE FEE DEPOSITS</b>	2,580,054	2,517,774
<b>BONDS PAYABLE</b>	<u>82,176,648</u>	<u>82,364,220</u>
Total Liabilities	126,255,168	120,570,417
<b>NET ASSETS</b>		
Net Assets Without Donor Restrictions	57,544,157	50,247,816
Net Assets With Donor Restrictions:		
Purpose Restrictions	3,591,466	3,701,951
Perpetual in Nature	<u>3,032,006</u>	<u>3,032,006</u>
Total Net Assets	<u>64,167,629</u>	<u>56,981,773</u>
Total Liabilities and Net Assets	<u>\$ 190,422,797</u>	<u>\$ 177,552,190</u>

See accompanying Notes to Financial Statements.

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**STATEMENTS OF OPERATIONS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>		
Independent Living	\$ 9,095,174	\$ 8,920,735
Assisted Living	2,191,313	2,065,105
Health Care	6,862,286	8,483,033
Amortization of Entrance Fees	5,556,019	4,088,348
Other Resident Services Revenue	1,903,678	2,258,862
Resident Services Revenue	25,608,470	25,816,083
Contributions	862,950	445,808
Investment Income, Net	3,344,195	3,402,305
Other Income	347,874	-
Net Assets Released from Restrictions	1,741,869	2,173,487
Total Revenues, Gains, and Other Support	31,905,358	31,837,683
<b>EXPENSES</b>		
Salaries and Wages	9,488,448	9,750,177
Employee Benefits	1,573,302	1,661,947
Payroll Taxes	659,308	701,444
Food and Dietary Service	1,187,860	1,548,166
Housekeeping and Maintenance	2,168,747	2,346,011
Utilities and Communications	972,960	1,098,166
Health Care Supplies	1,358,400	1,663,854
COVID Supplies	833,653	-
Professional Fees	260,796	274,334
Insurance	432,039	356,411
Marketing and Development	369,360	475,456
Community Service	404,730	405,593
Supplies and Other Expenses	350,007	217,786
Interest Expense and Fees	115,963	237,632
Depreciation	3,723,402	2,363,366
Total Expenses	23,898,975	23,100,343
<b>OPERATING INCOME</b>	8,006,383	8,737,340
<b>NONOPERATING LOSS</b>		
Loss on Early Extinguishment of Debt and Swap Agreement	-	(279,773)
Loss on Disposal of Property and Equipment	(710,042)	-
Total Nonoperating Loss	(710,042)	(279,773)
<b>EXCESS OF REVENUES, GAINS, AND OTHER SUPPORT OVER EXPENSES AND CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	\$ 7,296,341	\$ 8,457,567

See accompanying Notes to Financial Statements.

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.  
STATEMENTS OF CHANGES IN NET ASSETS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Excess of Revenues, Gains, and Other Support Over Expenses	\$ 7,296,341	\$ 8,457,567
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	1,323,886	3,483,391
Investment Income, Net	307,498	331,016
Net Assets Released from Restrictions	<u>(1,741,869)</u>	<u>(2,173,487)</u>
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>(110,485)</u>	<u>1,640,920</u>
<b>CHANGE IN NET ASSETS</b>	7,185,856	10,098,487
Net Assets - Beginning of Year	<u>56,981,773</u>	<u>46,883,286</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 64,167,629</u>	<u>\$ 56,981,773</u>

*See accompanying Notes to Financial Statements.*

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 7,185,856	\$ 10,098,487
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	3,723,402	2,363,366
Amortization of Bond Issuance Costs	80,964	44,871
Amortization of Bond Premium	(268,536)	(22,378)
Realized and Unrealized Gain on Investments, Net	(2,641,276)	(3,085,325)
Loss on Disposal of Property and Equipment	710,042	-
Loss on Early Extinguishment of Debt and Swap Agreement	-	279,773
Entrance Fees Received	6,770,455	5,208,916
Amortization of Entrance Fees	(5,556,019)	(4,088,348)
(Increase) Decrease in Assets:		
Receivables	235,728	(1,003,463)
Pledges Receivable	1,881,885	(711,680)
Prepays	26,780	(119,209)
Entrance Fee Escrow	(172,669)	(1,657,881)
Increase (Decrease) in Liabilities:		
Accounts Payable	79,257	468,826
Accrued Payroll and Related Items	(249,262)	124,272
Accrued Interest Payable	1,751,479	(19,116)
Entrance Fee Deposits	62,280	1,465,951
Deferred Revenue	92,688	321,198
Net Cash Provided by Operating Activities	13,713,054	9,668,260

See accompanying Notes to Financial Statements.

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	\$ 6,231,994	\$ 1,203,072
Purchases of Investments	(12,748,169)	(2,669,791)
Change in Assets Limited as to Use, Net	11,717,768	(42,718,319)
Proceeds from Sale of Property and Equipment	1,900	-
Purchases of Property and Equipment for Routine Additions	(3,786,066)	(2,021,413)
Purchases of Property and Equipment for Long-Range Projects	(26,899,536)	(6,702,599)
Net Cash Used by Investing Activities	(25,482,109)	(52,909,050)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Line of Credit	-	2,161,577
Payments on Line of Credit	-	(2,161,577)
Principal Paid on Bonds Payable	-	(890,000)
Bond Issue Premium on Debt	-	8,055,931
Proceeds from Issuance of Debt	-	76,075,500
Payments of Bond Issuance Costs	-	(1,751,580)
Early Extinguishment of Debt	-	(4,890,000)
Termination of Swap Agreement	-	(142,658)
Proceeds from Refundable Advance	1,647,592	-
Payments on Refundable Advance	(260,255)	-
Entrance Fees Refunded	(194,670)	(436,216)
Net Cash Provided by Financing Activities	1,192,667	76,020,977
<b>CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	(10,576,388)	32,780,187
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	37,217,152	4,436,965
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	\$ 26,640,764	\$ 37,217,152
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Operating Cash and Cash Equivalents	\$ 9,209,737	\$ 7,937,861
Restricted Cash included in Assets Limited as to Use	17,431,027	29,279,291
Total	\$ 26,640,764	\$ 37,217,152
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION</b>		
Property and Equipment Included in Accounts Payable	\$ 3,653,452	\$ 1,663,167

See accompanying Notes to Financial Statements.



**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Presbyterian Home at Charlotte, Inc., (Sharon Towers) provides housing, health care, and other related services to residents through the operation of a retirement facility which at December 31, 2020 contained 214 independent living units, 40 assisted living units, and a 96 bed health care center. During the ongoing expansion project discussed in Note 6, 24 of the health care center beds are out of service.

**Related Party**

Sharon Towers is affiliated with the Presbyterian Church (U.S.A.) and the members of Sharon Towers' board of directors are appointed by the Presbytery of Charlotte.

**Sharon Towers Residents' Assistance Fund**

The Sharon Towers Residents' Assistance Fund (the Fund), a revocable trust fund, was established in 1981 primarily to provide for a portion of the cost of resident care for those who are unable to pay the full cost of care from their own resources. The board of directors may elect to use the portion of the Fund without donor imposed restrictions to meet operating expenses of Sharon Towers or for other charitable purposes. Residents' assistance expense for 2020 was \$892,314, which consisted of \$587,514 of assistance for monthly service fees and \$304,800 of entrance fee assistance. In accordance with generally accepted accounting principles, these amounts have been eliminated in the accompanying statements of operations and changes in net assets. At December 31, 2020, there was \$6,257,167 of scholarship funds that had not been transferred to Sharon Towers. Residents' assistance expense for 2019 was \$1,024,152, which consisted of \$804,552 of assistance for monthly service fees and \$219,600 of entrance fee assistance. In accordance with generally accepted accounting principles, these amounts have been eliminated in the accompanying statements of operations and changes in net assets. At December 31, 2019, there was \$2,976,029 of scholarship funds that had not been transferred to Sharon Towers.

**Entrance Agreements**

Applicants agree to pay a specified entrance fee to Sharon Towers prior to admission. The amount of the entrance fee is recorded as deferred revenue or a refundable entrance fee liability at the time the agreement is signed. The standard agreement provides that 5% of the entrance fee becomes contractually nonrefundable in each of the first 12 months after the person becomes a resident of Sharon Towers. After 12 months of residency under the standard agreement the entire fee is nonrefundable, unless the board of directors determines that unusual circumstances warrant a refund. Sharon Towers offers two refundable entrance fee plans – 50% and 90%. Under these plans, a new resident can elect to pay a higher entrance fee, a portion of which is refundable after the person is no longer a resident of Sharon Towers. The refundable fees under this option are classified in the accompanying balance sheets as refundable entrance fees. At December 31, 2020 and 2019, the portion of entrance fees subject to refund provisions amounted to approximately \$10,063,000 and \$8,389,000, respectively.

Nonrefundable entrance fees are amortized and recognized as income over the estimated life expectancy of the resident. The straight-line method of amortization is used. Entrance fees paid by the Fund are eliminated in the accompanying statements of operations.

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations and which are available for use in general operations, including any funds designated by the board of directors for specific purposes.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that are either restricted in perpetuity, time restricted, or restricted for certain purposes. A donor's restriction is met when a stipulated time restriction ends or a special purpose restriction is accomplished. When a donor restriction no longer applies, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of operations as net assets released from restrictions. Net assets with donor restrictions also includes those net assets which have been restricted by donors to be maintained by Sharon Towers in perpetuity. Donors permit Sharon Towers to utilize investment earnings generated by the related assets.

**Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Sharon Towers considers cash and cash equivalents to include all cash on hand and all highly liquid investments, which includes certificates of deposit that range from three to six months in maturity.

**Accounts Receivable**

Resident accounts receivable primarily consist of resident monthly service fees and other resident charges, and are shown at net realizable value less an estimated allowance for doubtful accounts. Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions. The allowance for doubtful accounts as of December 31, 2020 and 2019, was approximately, \$62,000 and \$52,000, respectively.

**Contributions Receivable**

Contributions receivable consist of capital campaign pledges that are expected to be collected in the next two years.

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Conditional Promises to Give**

Sharon Towers is the beneficiary of various gift annuities and other deferred giving arrangements. These amounts are recorded as contributions when Sharon Towers receives a payment, due to the uncertainty of the timing and amounts that will be received.

**Investments**

Investments are carried at fair value. The fair value of marketable equity securities, bonds, and other investments is based on quoted market prices. Realized gains and losses on the sale of investments are determined based on the cost of the specific investment sold. For the years ended December 31, 2020 and 2019, Sharon Towers has included unrealized gains and losses on investments in the excess of revenues, gains, and other support over expenses.

**Assets Limited as to Use**

Assets limited as to use includes funds designated for statutory operating reserve, funds held under bond indenture agreements, and proceeds from the capital campaign for campus enhancements and the Fund. The amount due in the next year for interest is shown as current.

The General Statutes of the state of North Carolina require that continuing care retirement communities, such as Sharon Towers, maintain an Operating Reserve equal to 50% of the subsequent year's projected operating expenses. As provided in the statutes, the Communities may reduce the Operating Reserve requirement to 25% if the occupancy level of the facility is in excess of 90%, or such other reasons as deemed appropriate by the department. On December 31, 2020 and 2019, Sharon Towers' occupancy was above 90%, mandating the lower Operating Reserve requirement. The Operating Reserve is funded with a portion of Sharon Towers' investments, as permitted by the state statute and Sharon Towers' investment policy.

**Property and Equipment**

Property is recorded at cost if purchased or fair market value if donated, subject to a \$2,000 capitalization policy. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Buildings (Including Cottages)	40 Years
Furniture and Fixtures	10 Years
Operating and Transportation Equipment	5 to 10 Years

In accordance with its capitalization policy, Sharon Towers reviews the estimated useful lives of its fixed assets on an ongoing basis. During the year ended December 31, 2020, Sharon Towers changed its estimates of the useful lives of certain assets to better reflect the estimated periods during which these assets will remain in service. The effect of this change in estimate resulted in an increase in depreciation expense of approximately \$1,177,000 for the year ended December 31, 2020. For construction in progress costs, depreciation expense is deferred until the projects are completed and placed into service at which time the costs are depreciated over the useful life of the asset. If any of the projects are cancelled, the costs incurred will be expensed in the year determined.

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Bond Issuance Costs**

Bond issuance costs, which are amortized using the straight line method over the life of the bonds, which approximates the effective interest method, include underwriter's discounts, legal and consulting fees, and other costs incurred in issuing Sharon Towers' bonds payable. During the year ended December 31, 2019, Sharon Towers wrote off approximately \$211,000 of bond issuance costs associated with its refinanced debt and recorded approximately \$1,752,000 of new bond issuance costs associated with its 2019 financing. Accumulated amortization at December 31, 2020 and 2019 was approximately \$88,000 and \$7,000, respectively.

**Refundable Advance**

In April 2020, Sharon Towers received loan proceeds in the amount of \$1,647,592 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program ("the PPP Loan"). The PPP loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Therefore, Sharon Towers has classified this loan as a conditional contribution for accounting purposes. As of December 31, 2020, Sharon Towers has submitted their application for forgiveness, however they have not received formal SBA approval of their forgiveness application. During the year ended December 31, 2020, Sharon Towers repaid \$260,255 of the PPP loan as these proceeds were determined to be ineligible for forgiveness. Accordingly, the remaining amount is presented on the accompanying balance sheet as a Refundable Advance. This amount is expected to be forgiven in fiscal year 2021, therefore it is being shown as current on the accompanying balance sheet as of December 31, 2020. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender. Subsequent to year end, Sharon Towers received notification from its bank that the PPP Loan forgiveness application was approved by the SBA and the loan amount was forgiven, with the exception of approximately \$5,000. The remaining balance is due by April 2, 2022. The amount forgiven will be recognized as contribution income by Sharon Towers in fiscal year 2021.

**Provider Relief Funding**

In response to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF). Total grant funds approved and received by Sharon Towers as of December 31, 2020 was \$347,874. The PRF's are subject to certain restrictions on eligible expenses or uses and reporting requirements. Sharon Towers recognized the full amount of PRF's received as other income in the statements of operations and changes in net assets without donor restrictions in 2020. Management believes the amounts have been recognized appropriately as of December 31, 2020.

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Fair Value Measurements**

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. Sharon Towers emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy.

The fair value hierarchy consists of three levels of inputs that may be used to measure fair values as follows:

*Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that Sharon Towers has ability to access.

*Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

*Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls in based on the lowest level of input that is significant to the fair value measurement in its entirety.

Fair value is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. treasury and other U.S. government and agency mortgage backed securities that are traded by dealers or brokers in active over-the-counter markets. Sharon Towers' investments are classified as Level 1 assets. Sharon Towers does not have any assets or liabilities valued using Level 2 or Level 3 inputs.

Sharon Towers follows the accounting standard that allows reporting certain financial instruments at fair value. This standard allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. Sharon Towers has not elected to measure any existing financial instruments at fair value. However, it may elect to measure newly acquired financial instruments at fair value in the future.

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Uniform Prudent Management of Institutional Funds Act**

During fiscal year 2009, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) became effective in the state of North Carolina. Sharon Towers follows the nonprofit accounting standard for reporting of endowment funds (the UPMIFA Standard), which is intended to improve the quality and consistency of financial reporting of endowments held by nonprofit organizations. Under UPMIFA, all unappropriated endowment funds are considered restricted.

**Donated Services and Goods**

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated equipment or materials, if significant, are included in support at fair value. No contributed goods, services, or equipment were recorded during the year.

In addition, many individuals volunteer their time and perform a variety of tasks that assist Sharon Towers with specific assistance programs and various assignments. No amounts have been reflected in the financial statements for these contributions, as the contributions do not meet the criteria for recognition.

**Excess of Revenues, Gains, and Other Support Over Expenses**

The statements of operations and changes in net assets include excess of revenues, gains, and other support over expenses. Sharon Towers has no changes in net assets without donor restrictions that are excluded from the excess of revenues, gains and other support over expenses in 2020 or 2019.

**Income Tax Status**

Sharon Towers has been recognized by the Internal Revenue Service as exempt from income taxes under Internal Revenue Code Section 501(c)(3).

Sharon Towers files as a tax-exempt organization. Sharon Towers is not aware of any activities that would jeopardize their tax-exempt status. Sharon Towers is not aware of any activities that are subjected to tax on unrelated business income or excise or other taxes.

Sharon Towers follows guidance in the income tax standard regarding recognition and measurement of uncertain tax positions. The application of the standard has had no impact on Sharon Towers' financial statements.

**Reclassifications**

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation. These reclassifications had no effect on previously reported net assets or changes in net assets.

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Subsequent Events**

Sharon Towers has evaluated the effect subsequent events would have on the financial statements through March 30, 2021, the date the financial statements were available to be issued.

**NOTE 2 RESIDENT SERVICES REVENUE**

Resident services revenue is reported at the amount that reflects the consideration to which Sharon Towers expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, Sharon Towers bills the residents and third-party payors several days after the services are performed. Private pay residents are pre-billed for the following month's service fee. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by Sharon Towers. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Sharon Towers believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facilities receiving skilled nursing services or housing residents receiving services in the facilities.

Sharon Towers considers monthly rental for residential services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to residents and customers in a retail setting (for example, gift shop and cafeteria meals) and Sharon Towers does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, Sharon Towers has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2 RESIDENT SERVICES REVENUE (CONTINUED)**

Sharon Towers determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with Sharon Towers' policy, and/or implicit price concessions provided to residents. Sharon Towers determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. Sharon Towers determines its estimate of implicit price concessions based on its historical collection experience.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare

Sharon Towers' licensed nursing facility participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The nursing facility was paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services. The PPS is a per diem price-based system. CMS finalized the Patient Driven Payment Model (PDPM) to replace the existing Medicare reimbursement system effective October 1, 2019. Under PDPM, therapy minutes are removed as the primary basis for payment and instead use the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

Nursing facilities licensed for participation in the Medicare and Medical Assistance programs are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility.

Other

Payment agreements with certain commercial insurance carriers provide for payment using prospectively determined daily rates.



**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2 RESIDENT SERVICES REVENUE (CONTINUED)**

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and Sharon Towers' historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2020 or 2019.

Generally residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. Sharon Towers estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident services revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended December 31, 2020 and 2019. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense.

Sharon Towers has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors: payors, service lines, method of reimbursement, and timing of when revenue is recognized.

The composition of resident services revenue by primary payor for the years ended December 31 is as follows:

	2020	2019
Medicare	\$ 2,364,310	\$ 3,305,463
Private Pay	23,244,160	22,510,620
Total	<u>\$ 25,608,470</u>	<u>\$ 25,816,083</u>

Revenue from resident's deductibles and coinsurance are included in the categories presented above based on primary payor.

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 RESIDENT SERVICES REVENUE (CONTINUED)**

The composition of resident services revenue based on Sharon Towers' lines of business, method of reimbursement, and timing of revenue recognition for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
<b>Service Lines:</b>		
Independent Living	\$ 9,095,174	\$ 8,920,735
Assisted Living	2,191,313	2,065,105
Health Care Services	6,862,286	8,483,033
Amortization of Entrance Fees	5,556,019	4,088,348
Companion Services	1,396,448	1,603,743
Other Resident Service Revenue	507,230	655,119
Total	\$ 25,608,470	\$ 25,816,083
<b>Method of Reimbursement:</b>		
Monthly Service Fees	\$ 17,133,972	\$ 18,399,191
Amortization of Entrance Fees	5,556,019	4,088,348
Fee for Service	2,918,479	3,328,544
Total	\$ 25,608,470	\$ 25,816,083
<b>Timing of Revenue and Recognition:</b>		
Health Care Services Transferred Over Time	\$ 25,608,470	\$ 25,816,083

**NOTE 3 INVESTMENTS AND INVESTMENT INCOME**

Investments are reported at fair value. Investments consist of the following as of December 31:

	2020	2019
Cash and Cash Equivalents	\$ 121,420	\$ -
Equities	17,966,647	11,629,226
Commodities	869,678	609,524
Fixed Income	8,774,314	6,057,358
Total Investments	\$ 27,732,059	\$ 18,296,108

Investment income is comprised of the following as of December 31:

	2020	2019
Interest and Dividend Income	\$ 1,128,215	\$ 734,818
Realized and Unrealized Gains, Net	2,641,276	3,085,325
Total	3,769,491	3,820,143
Less: Investment Fees	(117,798)	(86,822)
Investment Income, Net	\$ 3,651,693	\$ 3,733,321

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
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**NOTE 4 ASSETS LIMITED AS TO USE**

Assets limited as to use, reported at fair value, are comprised of the following at December 31:

	2020	2019
Cash and Cash Equivalents	\$ 25,152,692	\$ 32,967,322
Equities	-	1,879,210
Commodities	-	98,495
Fixed Income	28,284,280	42,269,937
Accrued Interest	70,356	136,896
Total	<u>\$ 53,507,328</u>	<u>\$ 77,351,860</u>

Amounts restricted under bond agreements are comprised of the following at December 31:

Series 2019A Debt Service Reserve Fund	\$ 5,412,832	\$ 5,278,476
Series 2019A Construction Account	34,042,115	57,374,411
Series 2019A Interest Account	4,550,447	7,978,809
Series 2019A Issuance Account	23,394	75,598
Series 2019A Funded Interest Account	1,756,875	-
Total	<u>\$ 45,785,663</u>	<u>\$ 70,707,294</u>

**NOTE 5 CONTRIBUTIONS RECEIVABLE**

Contributions receivable as of December 31 were as follows:

	2020	2019
Due in Less Than One Year	\$ 246,498	\$ 1,446,780
Due in Two Years	453,668	1,238,759
Total Contributions Receivable	700,166	2,685,539
Less: Current Portion	(246,498)	(1,446,780)
Less: Allowance	(70,032)	(173,520)
Contributions Receivable, Net	<u>\$ 383,636</u>	<u>\$ 1,065,239</u>

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6 PROPERTY AND EQUIPMENT**

Property and equipment is comprised of the following as of December 31:

	2020	2019
Land and Land Improvements	\$ 5,419,906	\$ 5,419,906
Buildings (Including Cottages)	87,161,115	84,071,212
Furniture and Equipment	6,931,836	7,261,069
Transportation Equipment	427,465	567,635
Construction in Progress	37,220,417	9,076,364
Total	137,160,739	106,396,186
Less: Accumulated Depreciation and Amortization	(41,545,297)	(38,759,780)
Property and Equipment, Net	\$ 95,615,442	\$ 67,636,406

There was \$2,695,018 and \$50,822 of interest capitalized during the years ended December 31, 2020 and 2019, respectively. Construction in progress at December 31, 2020 and 2019 relates to an on-going expansion and renovation project on Sharon Towers' campus.

**NOTE 7 LONG-TERM DEBT AND SHORT-TERM LINE OF CREDIT**

Sharon Towers' long-term debt consists of the following at December 31:

<u>Description</u>	2020	2019
Retirement Facilities First Mortgage Revenue Bonds Series 2019A, matures July 1, 2049. Interest is payable semi-annually at rates ranging from 3.0% to 5.0%.	\$ 75,940,000	\$ 75,940,000
Retirement Facilities First Mortgage Revenue Bonds Series 2019B, matures December 5, 2024. Interest is payable monthly at a rate of .59% plus 79% of one month LIBOR (.7% at December 31, 2020).	135,500	135,500
Total	76,075,500	76,075,500
Plus: Unamortized Premium, Series 2019A	7,765,017	8,033,553
Less: Unamortized Bond Issuance Costs	(1,663,869)	(1,744,833)
Total Long-Term Debt	\$ 82,176,648	\$ 82,364,220

**Bonds Payable**

During 2001, Sharon Towers entered into a tax-free Variable Rate Demand Health Care Facilities Revenue Bonds project issued by the North Carolina Medical Care Commission. The first \$5,000,000 of the total proceeds of \$23,500,000 were used to repay the remaining balance due on bonds issued in 1998 and the remaining proceeds were used to finance the construction of the South Terrace tower, which opened in January 2003. All property and other assets were pledged as collateral. Bond issuance costs of \$454,410 were incurred and were being amortized over the life of the bonds.

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 7 LONG-TERM DEBT AND SHORT-TERM LINE OF CREDIT (CONTINUED)**

**Bonds Payable (Continued)**

During 2010, the bond issue was modified to allow for a bank-bought option. Under this option, all of the outstanding bonds were purchased by a single bank, BB&T, and various terms of the bonds were modified, including the interest rate, the required principal payments, and the elimination of the requirement to maintain a letter of credit. Modification fees of \$172,993 and \$122,953 were incurred in 2010 and 2014, respectively, and were being amortized over the remaining term of the bond.

The bonds bore interest at a fixed rate of 1.24% plus a variable rate of 68% of the London Interbank Offered Rate (LIBOR) over the term of the bank-bought option. In 2014, Sharon Towers amended their noncancelable interest rate swap arrangement, originally entered into in 2001, with Wells Fargo that provided for a fixed interest rate of 3.26%. The original notional amount of the interest rate swap agreement on the effective date of August 1, 2016 was \$7,665,000, maturing on August 1, 2024. Effective January 1, 2018 the interest rate changed on Sharon Towers' debt related to provisions in the debt agreements triggered by a decrease in the corporate tax rate. The swap provided for a fixed interest rate of 3.52%.

In December 2019, the North Carolina Medical Care Commission issued its \$75,940,000 Retirement Facilities First Mortgage Revenue Bonds Series 2019A (Series 2019A Bonds). The proceeds of the Series 2019A bonds are to finance the costs of constructing and equipping a new independent living apartment building, to fund capital improvements to buildings throughout Sharon Tower's campus, to refund the outstanding 2001 Variable Rate Demand Health Care Facilities Revenue Bonds (Series 2001 Bonds), to terminate its interest rate swap agreement that had been placed as a hedge for the Series 2001 Bonds, to fund a debt service reserve fund, to pay a portion of the interest accrued on the Series 2019A Bonds and to pay certain expenses incurred in connection with the issuance of the Series 2019A Bonds. Principal payments on the Series 2019A Bonds begin in July 2025 and extend through July 2049. Beginning in July 2035, Sharon Towers will be required to make payments to a trustee of interest and principal on the Series 2019A Bonds in anticipation of the required payments that will be due over five year increments beginning in July 2039 through final maturity in July 2049. Interest on the Series 2019A Bonds is payable semi-annually with interest rates ranging from 3.0% to 5.0%. In connection with the retirement of the Series 2001 Bonds, Sharon Towers recognized a loss on the early extinguishment of debt of approximately \$211,000 related to the write-off of certain unamortized deferred costs in 2019.

In December 2019, the North Carolina Medical Care Commission issued its \$18,000,000 Retirement Facilities First Mortgage Revenue Bonds Series 2019B (Series 2019B Bonds). The proceeds of the Series 2019B Bonds are to finance the costs of constructing and equipping a new independent living apartment building, to fund capital improvements to buildings throughout Sharon Tower's campus and to pay certain expenses incurred in connection with the issuance of the Series 2019B Bonds. The Series 2019B Bonds are a draw-down loan and all outstanding principal will be due at maturity in December 2024. Interest on the Series 2019B bonds is payable monthly at a variable rate based upon 79% of one-month LIBOR, calculated on the basis of an actual 360-day year, plus .59%.

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 LONG-TERM DEBT AND SHORT-TERM LINE OF CREDIT (CONTINUED)**

**Bonds Payable (Continued)**

The terms of the agreements related to the Series 2019A and Series 2019B bonds, subject to the Master Trust Indenture and Continuing Covenants Agreement, contain certain covenants. Management believes Sharon Towers is in compliance with these covenants as of December 31, 2020.

In November 2019, in connection with the issuance of the Series 2019A Bonds, Sharon Towers terminated its interest rate swap agreement that had been in place as a hedge for the Series 2001 Bonds. Sharon Towers paid approximately \$142,000 to terminate the swap and recognized a loss of approximately \$68,000 which is included in the loss on the early extinguishment of debt and swap agreement in the accompanying statements of operations, in 2019.

Future maturities of long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ -
2022	-
2023	-
2024	135,500
2025	1,755,000
Thereafter	74,185,000
Total	<u>\$ 76,075,500</u>

During the years ended December 31, 2020 and 2019, Sharon Towers had interest expense of \$303,535 and \$211,651, respectively, net of amounts capitalized, related to the bonds payable.

**Line of Credit**

In April 2019, Sharon Towers entered into a short-term revolving line of credit with a financial institution for an amount up to \$4,000,000. In September 2019, the line of credit was amended increasing the maximum borrowing amount up to \$5,000,000. In December 2019, in connection with the issuance of the Series 2019A and Series 2019B Bonds, the balance drawn down and outstanding on the line of credit was paid in full and the agreement was terminated.

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2020 and 2019:

	2020	2019
Subject to Expenditure for Specific Purpose:		
Property Maintenance, Renovation, and Expansion	\$ 2,838,294	\$ 1,393,163
Other	123,038	46,770
Total	2,961,332	1,439,933
Subject to Passage of Time:		
For periods after December 31, 2020	630,134	2,262,018
Subject to the Organization's Spending Policy and Appropriation:		
Endowment Funds	3,032,006	3,032,006
Total Net Assets With Donor Restrictions	\$ 6,623,472	\$ 6,733,957
	2020	2019
Satisfaction of Purpose Restrictions:		
Resident Assistance	\$ 892,314	\$ 924,454
Special Campaigns	149,217	149,032
	1,041,531	1,073,486
Expiration of Time Restrictions	700,338	1,100,001
Total Net Assets Released from Restrictions	\$ 1,741,869	\$ 2,173,487

Sharon Towers' net assets with donor restrictions include individual endowments established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

**Endowment Funds**

Sharon Towers has interpreted the North Carolina Uniform Prudent Management of Institutional Funds Act (UPMIFA) as not requiring the preservation of the fair value of the original gift as of the date of the donor restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, if there are specific stipulations, Sharon Towers retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the perpetual endowment and (b) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in net assets perpetual in nature is classified as net assets subject to expenditure for specific purpose until those amounts are appropriated for expenditure by Sharon Towers in a manner consistent with the standard of prudence prescribed by UPMIFA.

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

**Endowment Funds (Continued)**

Sharon Towers considers the following factors in making a determination to appropriate or accumulate donor restricted 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 was as follows as of December 31:

	2020	2019
Donor-Restricted Endowment Funds:		
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained by Donor	\$ 3,032,006	\$ 3,032,006
Total Funds	\$ 3,032,006	\$ 3,032,006

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

	2020		
	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 3,032,006	\$ 3,032,006
Investment Return	-	158,873	158,873
Contributions	-	-	-
Appropriation of Endowment Assets for Expenditure	-	(158,873)	(158,873)
Total	\$ -	\$ 3,032,006	\$ 3,032,006
	2019		
	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 3,032,006	\$ 3,032,006
Investment Return	-	65,368	65,368
Contributions	-	-	-
Appropriation of Endowment Assets for Expenditure	-	(65,368)	(65,368)
Total	\$ -	\$ 3,032,006	\$ 3,032,006



**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

**Endowment Funds (Continued)**

From time to time, the fair value of assets associated with the individual donor restricted endowment funds may experience temporary unfavorable market declines which may cause a fund to fall below the level that was donated to Sharon Towers. Deficiencies of this nature existed in one donor restricted endowment fund, which had an original value of \$1,881,079, a current fair value of \$1,652,710, and a deficiency of \$228,369 as of December 31, 2019. No deficiency of this nature exists as of December 31, 2020.

Sharon Towers has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Under this policy, as approved by the directors, endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities that is intended to produce results that attempt to match the price and yield results equal to the change in the Consumer Price Index plus 5%. Actual returns in any given year may vary. In 2020, Sharon Towers has adopted the policy that they are not able to spend amounts from underwater endowments.

**NOTE 9 FAIR VALUE MEASUREMENTS**

Sharon Towers uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how Sharon Towers measures fair value refer to Note 1 – Organization and Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy of the balances of the assets of Sharon Towers measured at fair value on a recurring basis as of December 31, 2020 and 2019:

	2020			Total
	Level 1	Level 2	Level 3	
Assets Limited as to Use:				
Fixed Income	\$ 28,284,280	\$ -	\$ -	\$ 28,284,280
Investments:				
Fixed Income	8,774,314	-	-	8,774,314
Commodities	869,678	-	-	869,678
Equities	17,966,647	-	-	17,966,647
Subtotal	<u>27,610,639</u>	<u>-</u>	<u>-</u>	<u>27,610,639</u>
Total	<u>\$ 55,894,919</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,894,919</u>

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)**

	2019			Total
	Level 1	Level 2	Level 3	
<b>Assets Limited as to Use:</b>				
Fixed Income	\$ 42,269,937	\$ -	\$ -	\$ 42,269,937
Commodities	98,495	-	-	98,495
Equities	1,879,210	-	-	1,879,210
Subtotal	<u>44,247,642</u>	<u>-</u>	<u>-</u>	<u>44,247,642</u>
<b>Investments:</b>				
Fixed Income	6,057,358	-	-	6,057,358
Commodities	609,524	-	-	609,524
Equities	11,629,226	-	-	11,629,226
Subtotal	<u>18,296,108</u>	<u>-</u>	<u>-</u>	<u>18,296,108</u>
Total	<u>\$ 62,543,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,543,750</u>

Sharon Towers had \$25,274,112 and \$32,967,322 of cash and cash equivalents included with investments and assets limited as to use as of December 31, 2020 and 2019, which is not included in the fair value hierarchy. Sharon Towers had \$70,356 and \$136,896 of accrued interest included with assets limited as to use as of December 31, 2020 and 2019, which is not included in the fair value hierarchy.

**NOTE 10 BENEFIT PLAN**

Sharon Towers maintains a defined contribution 401(k) plan (the Plan) that covers all eligible employees with more than one year of service. Sharon Towers' contributions for the years ended December 31, 2020 and 2019 included \$180,715 and \$184,713, respectively, based on its matching 25% of employee contributions up to 6%, and an elective deferral of \$337,662 and \$117,473, respectively. The participants' contributions are immediately fully vested and Sharon Towers' contributions to the Plan vest over a six-year period.

**NOTE 11 CHARITY CARE AND COMMUNITY SERVICE**

**Charity Care**

Sharon Towers' mission is to provide a minimum of 5% of its revenue to charity care. The recipients are either current residents who have exhausted their funds and no longer have the ability to pay for all or part of their monthly fees, or prospective residents who, through the waiver of a portion of their entrance fee and/or the supplementation of monthly fees, are financially able to afford the monthly service fees. The amount of assistance provided is determined after a review of the individual's financial needs and resources. Sharon Towers has calculated charity care costs for the years ended December 31, 2020 and 2019, based on a historical ratio of cost to income as \$851,188 and \$943,697, respectively. Contributions were received by Sharon Towers of \$513,677 and \$837,120 to subsidize the costs of providing resident support for the years ended December 31, 2020 and 2019, respectively.

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 11 CHARITY CARE AND COMMUNITY SERVICE (CONTINUED)**

**Community Service**

Sharon Towers incurred the following costs related to community service activities during 2020 and 2019:

	2020	2019
Donated Facility Usage	\$ 5,700	\$ 53,875
Personnel	7,348	50,338
Contributions to Other Charities	391,682	301,380
Total Community Service Costs	\$ 404,730	\$ 405,593

In addition to the community service costs noted above, Sharon Towers donated vehicles with an estimated fair value of \$43,500 to charity care during the year ended December 31, 2020.

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

Sharon Towers is subject to legal proceedings and claims which arise in the ordinary course of business. Sharon Towers maintains liability insurance coverage for claims occurring during the policy year. In management's opinion, adequate provision has been made for amounts expected to be paid under the policy's deductible limits for claims not covered by the policy and any other uninsured liability.

The health care 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 repayment for patient services previously billed.

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to Sharon Towers, COVID-19 may impact various parts of its 2021 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or loss of revenue due to reductions in certain revenue streams. Management believes that they are taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2020.

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
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**NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

In June 2019, Sharon Towers signed a construction contract to begin work on a project to construct and build a 42-unit independent living building. The contract stipulates that the cost of the project is to be capped at \$975,457 as originally designed. Change orders totaling \$74,007,569 have been executed. As of December 31, 2020, there are \$48,723,962 in remaining construction costs, including retainage. Funds from the Series 2019 Bonds will be used to pay for the cost of the project (See Note 7). The project is expected to be completed in July 2022.

**NOTE 13 FUNCTIONAL EXPENSES**

Program, management and fundraising expenses for the years ended December 31, 2020 and 2019 are summarized as follows:

	2020			Total
	Program Services	Management and General	Fundraising	
Salaries and Wages	\$ 8,709,757	\$ 703,818	\$ 74,873	\$ 9,488,448
Employee Benefits	1,492,801	66,341	14,160	1,573,302
Payroll Taxes	609,869	42,763	6,676	659,308
Food and Dietary Service	1,187,860	-	-	1,187,860
Depreciation	3,723,402	-	-	3,723,402
Housekeeping and Maintenance	2,167,668	-	1,079	2,168,747
Utilities and Communications	971,960	-	1,000	972,960
Interest Expense and Fees	115,963	-	-	115,963
Health Care Supplies	1,358,400	-	-	1,358,400
COVID Supplies	833,653	-	-	833,653
Professional Fees	260,796	-	-	260,796
Insurance	432,039	-	-	432,039
Marketing and Development	368,626	-	734	369,360
Community Service	404,730	-	-	404,730
Supplies and Other Expenses	260,062	-	89,945	350,007
Total Operating Expenses	<u>\$ 22,897,586</u>	<u>\$ 812,922</u>	<u>\$ 188,467</u>	<u>\$ 23,898,975</u>

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 13 FUNCTIONAL EXPENSES (CONTINUED)**

	2019			Total
	Program Services	Management and General	Fundraising	
Salaries and Wages	\$ 8,989,249	\$ 672,609	\$ 88,319	\$ 9,750,177
Employee Benefits	1,562,465	83,657	15,825	1,661,947
Payroll Taxes	651,782	43,373	6,289	701,444
Food and Dietary Service	1,548,166	-	-	1,548,166
Depreciation	2,363,366	-	-	2,363,366
Housekeeping and Maintenance	2,344,759	-	1,252	2,346,011
Utilities and Communications	1,096,666	-	1,500	1,098,166
Interest Expense and Fees	237,632	-	-	237,632
Health Care Supplies	1,663,854	-	-	1,663,854
Professional Fees	274,334	-	-	274,334
Insurance	356,411	-	-	356,411
Marketing and Development	385,902	-	89,554	475,456
Community Service	405,593	-	-	405,593
Supplies and Other Expenses	149,143	-	68,643	217,786
Total Operating Expenses	<u>\$ 22,029,322</u>	<u>\$ 799,639</u>	<u>\$ 271,382</u>	<u>\$ 23,100,343</u>

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Management salaries have been specifically identified and an allocation of employee benefits and payroll taxes based on management salaries as a percent of total salaries for the management and general and fundraising personnel have been made.

**NOTE 14 LIQUIDITY**

Sharon Towers invests cash in excess of short term requirements in short-term investments. As of December 31, 2020 and 2019, Sharon Towers had working capital of \$32,379,880 and \$26,075,557. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2020	2019
Cash and Cash Equivalents	\$ 17,052,822	\$ 11,625,892
Equities	17,966,647	13,508,436
Commodities	869,678	708,019
Fixed Income	8,774,314	7,036,188
	<u>44,663,461</u>	<u>32,878,535</u>
Resident and Other Receivables, Net	1,079,053	1,314,781
Contributions Receivable, Current Portion	246,498	1,446,780
Less: Purpose Restricted Net Assets	(2,961,332)	(1,439,933)
Less: Endowment Net Assets	(3,032,006)	(3,032,006)
Total Financial Assets Available to Meet Liquidity Needs	<u>\$ 39,995,674</u>	<u>\$ 31,168,157</u>

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**BALANCE SHEET – THE PRESBYTERIAN HOME AT CHARLOTTE, INC. AND SHARON TOWERS**  
**RESIDENTS' ASSISTANCE FUND**  
**DECEMBER 31, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Sharon Towers	Fund	Eliminations	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Equivalents	\$ 9,209,737	\$ -	\$ -	\$ 9,209,737
Receivables:				
Residents and Other, Net	7,336,220	-	(6,257,167)	1,079,053
Contributions, Current Portion	197,198	49,300	-	246,498
Investments	14,125,681	13,606,378	-	27,732,059
Assets Whose Use in Limited, Current Portion	1,756,875	-	-	1,756,875
Prepaid Expenses	351,730	-	-	351,730
Total Current Assets	<u>32,977,441</u>	<u>13,655,678</u>	<u>(6,257,167)</u>	<u>40,375,952</u>
<b>ASSETS WHOSE USE IS LIMITED</b>				
Statutory Operating Reserve	5,075,750	-	-	5,075,750
Held Under Bond Agreements	45,785,663	-	-	45,785,663
Capital Campaign Fund	2,645,915	-	-	2,645,915
Subtotal	<u>53,507,328</u>	<u>-</u>	<u>-</u>	<u>53,507,328</u>
Less: Amounts Available for Current Liabilities	<u>(1,756,875)</u>	<u>-</u>	<u>-</u>	<u>(1,756,875)</u>
Total Assets Whose Use is Limited	<u>51,750,453</u>	<u>-</u>	<u>-</u>	<u>51,750,453</u>
<b>CONTRIBUTIONS RECEIVABLE, NET OF CURRENT PORTION</b>				
	306,879	76,757	-	383,636
<b>ENTRANCE FEE ESCROW</b>				
	2,293,314	-	-	2,293,314
<b>PROPERTY AND EQUIPMENT, NET</b>				
	95,615,442	-	-	95,615,442
<b>OTHER ASSETS</b>				
	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
Total Assets	<u>\$ 182,947,529</u>	<u>\$ 13,732,435</u>	<u>\$ (6,257,167)</u>	<u>\$ 190,422,797</u>

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**BALANCE SHEET – THE PRESBYTERIAN HOME AT CHARLOTTE, INC. AND SHARON TOWERS**  
**RESIDENTS’ ASSISTANCE FUND (CONTINUED)**  
**DECEMBER 31, 2020**  
**(SEE INDEPENDENT AUDITORS’ REPORT)**

<b>LIABILITIES AND NET ASSETS</b>	<u>Sharon Towers</u>	<u>Fund</u>	<u>Eliminations</u>	<u>Total</u>
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 4,171,628	\$ 6,257,167	\$ (6,257,167)	\$ 4,171,628
Accrued Payroll and Related Items	685,430	-	-	685,430
Accrued Interest Payable	1,751,677	-	-	1,751,677
Refundable Advance	1,387,337	-	-	1,387,337
Total Current Liabilities	<u>7,996,072</u>	<u>6,257,167</u>	<u>(6,257,167)</u>	<u>7,996,072</u>
<b>REFUNDABLE ENTRANCE FEES</b>	4,654,229	-	-	4,654,229
<b>DEFERRED REVENUE</b>	28,848,165	-	-	28,848,165
<b>ENTRANCE FEE DEPOSITS</b>	2,580,054	-	-	2,580,054
<b>BONDS PAYABLE</b>	82,176,648	-	-	82,176,648
Total Liabilities	<u>126,255,168</u>	<u>6,257,167</u>	<u>(6,257,167)</u>	<u>126,255,168</u>
<b>NET ASSETS</b>				
Net Assets Without Donor Restrictions	52,152,490	5,391,667	-	57,544,157
Net Assets With Donor Restrictions:				
Purpose Restrictions	3,388,944	202,522	-	3,591,466
Perpetual in Nature	1,150,927	1,881,079	-	3,032,006
Total Net Assets	<u>56,692,361</u>	<u>7,475,268</u>	<u>-</u>	<u>64,167,629</u>
 Total Liabilities and Net Assets	 <u>\$ 182,947,529</u>	 <u>\$ 13,732,435</u>	 <u>\$ (6,257,167)</u>	 <u>\$ 190,422,797</u>

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.  
STATEMENT OF OPERATIONS – THE PRESBYTERIAN HOME AT CHARLOTTE, INC. AND  
SHARON TOWERS RESIDENTS' ASSISTANCE FUND  
YEAR ENDED DECEMBER 31, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

	Sharon Towers	Fund	Eliminations	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Independent Living	\$ 9,682,688	\$ -	\$ (587,514)	\$ 9,095,174
Assisted Living	2,191,313	-	-	2,191,313
Health Care	6,862,286	-	-	6,862,286
Amortization of Entrance Fees	5,860,819	-	(304,800)	5,556,019
Other Resident Services Revenue	1,903,678	-	-	1,903,678
Resident Services Revenue	26,500,784	-	(892,314)	25,608,470
Contributions	850,918	12,032	-	862,950
Investment Income, Net	2,202,615	1,141,580	-	3,344,195
Other Income	347,874	-	-	347,874
Net Assets Released from Restrictions	849,555	892,314	-	1,741,869
Total Revenues, Gains, and Other Support	30,751,746	2,045,926	(892,314)	31,905,358
<b>EXPENSES</b>				
Salaries and Wages	9,488,448	-	-	9,488,448
Employee Benefits	1,573,302	-	-	1,573,302
Payroll Taxes	659,308	-	-	659,308
Food and Dietary Service	1,187,860	-	-	1,187,860
Housekeeping and Maintenance	2,168,747	-	-	2,168,747
Utilities and Communications	972,960	-	-	972,960
Charity Care	-	892,314	(892,314)	-
Health Care Supplies	1,358,400	-	-	1,358,400
COVID Supplies	833,653	-	-	833,653
Professional Fees	260,796	-	-	260,796
Insurance	432,039	-	-	432,039
Marketing and Development	369,360	-	-	369,360
Community Service	404,730	-	-	404,730
Supplies and Other Expenses	350,007	-	-	350,007
Interest Expense and Fees	115,963	-	-	115,963
Depreciation	3,723,402	-	-	3,723,402
Total Expenses	23,898,975	892,314	(892,314)	23,898,975
<b>OPERATING INCOME</b>	6,852,771	1,153,612	-	8,006,383
<b>NONOPERATING LOSS</b>				
Loss on Disposal of Property and Equipment	(710,042)	-	-	(710,042)
<b>EXCESS OF REVENUES, GAINS, AND OTHER SUPPORT OVER EXPENSES AND CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>				
	<u>\$ 6,142,729</u>	<u>\$ 1,153,612</u>	<u>\$ -</u>	<u>\$ 7,296,341</u>



**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**STATEMENT OF CHANGES IN NET ASSETS – THE PRESBYTERIAN HOME AT CHARLOTTE,**  
**INC. AND SHARON TOWERS RESIDENTS' ASSISTANCE FUND**  
**YEAR ENDED DECEMBER 31, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Sharon Towers	Fund	Eliminations	Total
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>				
Excess of Revenues, Gains, and Other Support Over Expenses	\$ 6,142,729	\$ 1,153,612	\$ -	\$ 7,296,341
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>				
Contributions	810,209	513,677	-	1,323,886
Investment Income, Net	38,673	268,825	-	307,498
Net Assets Released from Restrictions	(849,555)	(892,314)	-	(1,741,869)
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>(673)</u>	<u>(109,812)</u>	<u>-</u>	<u>(110,485)</u>
<b>CHANGE IN NET ASSETS</b>	6,142,056	1,043,800	-	7,185,856
Net Assets - Beginning of Year	<u>50,550,305</u>	<u>6,431,468</u>	<u>-</u>	<u>56,981,773</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 56,692,361</u>	<u>\$ 7,475,268</u>	<u>\$ -</u>	<u>\$ 64,167,629</u>

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**STATEMENT OF CASH FLOWS – THE PRESBYTERIAN HOME AT CHARLOTTE, INC. AND**  
**SHARON TOWERS RESIDENTS' ASSISTANCE FUND**  
**YEAR ENDED DECEMBER 31, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Sharon Towers	Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Change in Net Assets	\$ 6,142,056	\$ 1,043,800	\$ 7,185,856
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:			
Depreciation	3,723,402	-	3,723,402
Amortization of Bond Issuance Costs	80,964	-	80,964
Amortization of Bond Premium	(268,536)	-	(268,536)
Realized and Unrealized Gains on Investments, Net	(1,544,428)	(1,096,848)	(2,641,276)
Loss on Disposal of Property and Equipment	710,042	-	710,042
Entrance Fees Received	6,770,455	-	6,770,455
Amortization of Entrance Fees	(5,556,019)	-	(5,556,019)
(Increase) Decrease in Assets:			
Receivables	235,728	-	235,728
Intercompany (Receivables) Payables	(3,281,138)	3,281,138	-
Pledge Receivables	1,695,606	186,279	1,881,885
Prepays	26,780	-	26,780
Entrance Fee Escrow	(172,669)	-	(172,669)
Increase (Decrease) in Liabilities:			
Accounts Payable	79,257	-	79,257
Accrued Payroll and Related Items	(249,262)	-	(249,262)
Accrued Interest Payable	1,751,479	-	1,751,479
Entrance Fee Deposits	62,280	-	62,280
Deferred Revenue	92,688	-	92,688
Net Cash Provided by Operating Activities	<u>10,298,685</u>	<u>3,414,369</u>	<u>13,713,054</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Investments	2,691,961	3,540,033	6,231,994
Purchases of Investments	(5,793,767)	(6,954,402)	(12,748,169)
Change in Assets Limited as to Use, Net	11,717,768	-	11,717,768
Proceeds from Sale of Property and Equipment	1,900	-	1,900
Purchases of Property and Equipment for Routine Additions	(3,786,066)	-	(3,786,066)
Purchases of Property and Equipment for Long-Range Projects	(26,899,536)	-	(26,899,536)
Net Cash Used by Investing Activities	<u>(22,067,740)</u>	<u>(3,414,369)</u>	<u>(25,482,109)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from Refundable Advance	1,647,592	-	1,647,592
Payments on Refundable Advance	(260,255)	-	(260,255)
Entrance Fees Refunded	(194,670)	-	(194,670)
Net Cash Provided by Financing Activities	<u>1,192,667</u>	<u>-</u>	<u>1,192,667</u>
<b>CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<u>(10,576,388)</u>	<u>-</u>	<u>(10,576,388)</u>
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>37,217,152</u>	<u>-</u>	<u>37,217,152</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	<u>\$ 26,640,764</u>	<u>\$ -</u>	<u>\$ 26,640,764</u>

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.  
 STATEMENT OF CASH FLOWS – THE PRESBYTERIAN HOME AT CHARLOTTE, INC. AND  
 SHARON TOWERS RESIDENTS’ ASSISTANCE FUND (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2020  
 (SEE INDEPENDENT AUDITORS’ REPORT)**

	Sharon Towers	Fund	Total
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>			
Operating Cash and Cash Equivalents	\$ 9,209,737	\$ -	\$ 9,209,737
Restricted Cash included in Assets Limited as to Use	17,431,027	-	17,431,027
Total	<u>\$ 26,640,764</u>	<u>\$ -</u>	<u>\$ 26,640,764</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION</b>			
Property and Equipment Included in Accounts Payable	<u>\$ 3,653,452</u>	<u>\$ -</u>	<u>\$ 3,653,452</u>

EXHIBIT B  
TO  
THE PRESBYTERIAN HOME AT CHARLOTTE, INC  
(SHARON TOWERS)  
CONTINUING CARE DISCLOSURE STATEMENT

Material Differences of Financial Statement  
Versus Forecast

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**MATERIAL DIFFERENCES**  
**YEAR ENDING DECEMBER 31, 2020**

**FORECASTED COMPARED TO AUDITED BALANCE SHEETS**

	<u>ACTUAL</u>	<u>FORECAST</u>	<u>DIFFERENCE</u>	<u>EXPLANATIONS</u>
				For the purpose of this analysis, anything less than 1% of Total Assets (\$1,904,000) is considered immaterial
<b>ASSETS</b>				
Cash	9,209,737	7,843,000	1,366,737	See Statement of Cash Flows below
Assets Limited as to Use, Current Portion	1,756,875	2,225,000	(468,125)	Immaterial
Accounts Receivable, Net	1,079,053	1,175,000	(95,947)	Immaterial
Contributions Receivable - Current	246,498	433,000	(186,502)	Immaterial
Prepaid Expenses	351,730	389,000	(37,270)	Immaterial
Current Assets	<u>12,643,893</u>	<u>12,065,000</u>	<u>578,893</u>	Subtotal
Investments	27,732,059	26,567,000	1,165,059	Immaterial
Property & Equipments	95,615,442	109,552,000	(13,936,558)	Construction/Renovation project was delayed several months due to COVID 19, as well as soil samples differences from testing, and delays in completing the street intersection related to cabling from AT&T. This created a lag in disbursements related to the project, which is grouped with Property and Equipment
Assets Whose Use Is Limited:				
Resident Deposits	2,293,314	2,121,000	172,314	Immaterial
Debt Service Reserve Fund		5,278,000	(5,278,000)	Construction/Renovation project was delayed several months due to COVID 19, as well as soil samples differences from testing, and delays in completing the street intersection related to cabling from AT&T
Project Fund	45,785,663	15,864,000	29,921,663	
Capitalized Interest Fund		6,831,000	(6,831,000)	
Bond Fund		104,000	(104,000)	
Statutory Operating Reserve	5,075,750	5,076,000	(250)	Immaterial
Less: Current Portion	(1,756,875)	(2,225,000)	468,125	Immaterial
Capital Campaign Fund	2,645,915		2,645,915	Forecast presumed that Capital Campaign would be used in the year collected, however, it is likely these funds will not be used until near the end of the project, which has created an asset on the balance sheet in the meantime
Assets Whose Use Is Limited, Net of Current Portion	<u>54,043,767</u>	<u>33,049,000</u>	<u>20,994,767</u>	Subtotal
Contributions Receivable - Net of Current Portion	383,636	632,000	(248,364)	Immaterial
Other Assets	4,000	4,000	0	Immaterial
<b>Total Assets</b>	<b><u>190,422,797</u></b>	<b><u>181,869,000</u></b>	<b><u>8,553,797</u></b>	Subtotal
<b>LIABILITIES AND NET ASSETS</b>				
Accounts Payable	4,171,628	1,278,000	2,893,628	Audit includes Construction and other Property and Equipment retainage totaling \$3.6 Million not anticipated in Forecast
Accrued Payroll and Related Items	685,430	946,000	(260,570)	Immaterial
Accrued Interest Payable	1,751,677	1,757,000	(5,323)	Immaterial
Refundable Advance	1,387,337		1,387,337	PPP Forgivable Loan - not anticipated when Forecast was prepared
Resident Deposit Liability	<u>2,580,054</u>	<u>2,518,000</u>	<u>62,054</u>	Immaterial
Current Liabilities	10,576,126	6,499,000	4,077,126	Subtotal
Refundable Entry Fees	4,654,229	4,476,000	178,229	Immaterial
Deferred Revenue	28,848,165	27,809,000	1,039,165	Immaterial
Bonds Payable, Net	82,176,648	82,215,000	(38,352)	Immaterial
<b>Total Liabilities</b>	<b><u>126,255,168</u></b>	<b><u>120,999,000</u></b>	<b><u>5,256,168</u></b>	Subtotal
<b>Net Assets</b>				
Without Donor Restriction	57,544,157	55,582,000	1,962,157	See detail explanations on the Statement of Operations and Changes in Net Assets Schedule
With Donor Restriction	6,623,472	5,288,000	1,335,472	See detail explanations on the Statement of Operations and Changes in Net Assets Schedule
<b>Total Net Assets</b>	<b><u>64,167,629</u></b>	<b><u>60,870,000</u></b>	<b><u>3,297,629</u></b>	Subtotal
<b>Total Liabilities and Net Assets</b>	<b><u>190,422,797</u></b>	<b><u>181,869,000</u></b>	<b><u>8,553,797</u></b>	<b>Total</b>

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**MATERIAL DIFFERENCES**  
**YEAR ENDING DECEMBER 31, 2020**  
**FORECASTED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS COMPARED TO AUDITED FINANCIAL**

	<u>ACTUAL</u>	<u>FORECAST</u>	<u>DIFFERENCE</u>	<u>EXPLANATIONS</u>
				For purposes of this analysis, anything less than 1% of Revenues (\$319,000) is considered immaterial
<b>Income</b>				
Independent Living	9,095,174	9,384,000	(288,826)	Immaterial
Assisted Living	2,191,313	2,239,000	(47,687)	Immaterial
HealthCare (including Medicare)	6,862,286	6,040,000	822,286	The impact from COVID was not as severe as anticipated in the Forecast. Medicare Census and the PDP rate were both higher than expected creating a positive variance
Entrance Fees (Amortized)	5,556,019	4,708,000	848,019	Amortization was accelerated due to deaths or move-outs prior to estimated life expectancy tables
Other Operating Revenue	1,903,678	1,837,000	66,678	Immaterial
Contributions	862,950	1,923,000	(1,060,050)	<b>Footnote A</b>
Investment Income	3,344,195	1,010,000	2,334,195	<b>Footnote B</b>
Other Income	347,874		347,874	HHS COVID Relief funds received in 2020
Net Assets released from restriction	<u>1,741,869</u>	<u>1,260,000</u>	<u>481,869</u>	<b>Footnote A</b>
<b>Total Support and Revenue</b>	<b>31,905,358</b>	<b>28,401,000</b>	<b>3,504,358</b>	<b>Subtotal</b>
<b>Expenses</b>				
Health Care	7,890,944	7,786,000	104,944	Immaterial
Maintenance & Operations	2,826,432	2,745,000	81,432	Immaterial
Housekeeping	1,260,162	1,270,000	(9,838)	Immaterial
Dining Services	3,029,110	3,297,000	(267,890)	Immaterial
Administration	2,759,375	2,612,000	147,375	Immaterial
Marketing and Development	961,543	1,053,000	(91,457)	Immaterial
Activities & Social Services	927,314	955,000	(27,686)	Immaterial
Charity Care & Community Service	404,730	585,000	(180,270)	Immaterial
Interest Expense & Fees	115,963	40,000	75,963	Immaterial
Depreciation and Amortization	3,723,402	3,220,000	503,402	Changed estimated useful lives of several assets which resulted in higher depreciation.
<b>Total Expenses</b>	<b>23,898,975</b>	<b>23,563,000</b>	<b>335,975</b>	<b>Subtotal</b>
<b>Operating Income</b>	<b>8,006,383</b>	<b>4,838,000</b>	<b>3,168,383</b>	<b>Subtotal</b>
Net Assets Released from Restriction - Capital	0	496,000	(496,000)	Timing Difference. Capital restricted donations will likely be released near the end of the Project
Loss on Disposal of Property and Equipment	(710,042)		(710,042)	Identified several assets with remaining Net Book Value that were no longer in service
<b>Change in Net Assets without Donor Restrictions</b>	<b>7,296,341</b>	<b>5,334,000</b>	<b>1,962,341</b>	<b>Subtotal</b>
<b>Net Assets With Donor Restrictions</b>				
Contributions	1,323,886	310,000	1,013,886	<b>Footnote A</b>
Investment Income	307,498		307,498	<b>Footnote B</b>
Released from Restrictions - Operations	(1,741,869)	(1,260,000)	(481,869)	<b>Footnote A</b>
Released from Restrictions - Capital	0	(496,000)	496,000	Timing Difference. Capital restricted donations will likely be released near the end of the Project
<b>Total Change in Net Assets w/Donor Restrictions</b>	<b>(110,485)</b>	<b>(1,446,000)</b>	<b>1,335,515</b>	<b>Subtotal</b>
<b>Change in Net Assets</b>	<b>7,185,856</b>	<b>3,888,000</b>	<b>3,297,856</b>	<b>Total</b>
<b>Net Assets, Beginning</b>	<b>56,981,773</b>	<b>56,982,000</b>	<b>(227)</b>	
<b>Net Assets, Ending</b>	<b>64,167,629</b>	<b>60,870,000</b>	<b>3,297,629</b>	

**A** Contributions with Donor Restriction (\$1.3 Mill) and without Donor Restriction (\$862K) combined have a \$46K variance to Forecast which is immaterial. The Forecast used a conservative estimate (\$1.3 Mill) for releases which turned out to be higher than expected (\$1.7 Mill) for the Released from Restrictions

**B** Performance of Investment Income is based on performance of the financial markets which were Favorable by (\$2.6 Mill) for 2020 compared to Forecast.

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**  
**MATERIAL DIFFERENCES**  
**YEAR ENDING DECEMBER 31, 2020**  
**FORECASTED STATEMENT OF CASH FLOWS COMPARED TO AUDITED FINANCIAL**

	<u>ACTUAL</u>	<u>FORECAST</u>	<u>DIFFERENCE</u>	<u>EXPLANATIONS</u>
				For purposes of this analysis, anything less than 1% of Revenues (\$319,000) is considered immaterial
<b><u>CASH FLOWS OPERATING ACTIVITIES</u></b>				
Change in Net Assets	7,185,856	3,888,000	3,297,856	See notes for Statement of Operations
Depreciation	3,723,402	3,220,000	503,402	Changed estimated useful lives of several assets which resulted in higher depreciation.
Amortization of Bond Issuance Costs	80,964	81,000	(36)	Immaterial
Amortization of Bond Premium	(268,536)	(230,000)	(38,536)	Immaterial
Capital (gain)/loss on investments	(2,641,276)		(2,641,276)	Market gains/losses are forecast at -0- and market performed well in 2020
Loss on Disposal of Property & Equip	710,042		710,042	Identified several assets with remaining Net Book Value that were no longer in service
Entrance Fees Received, Net of Refunds	6,770,455	4,603,000	2,167,455	Entry Fees from sale of IL Units exceeded Forecast
Amortization of Entrance Fees	(5,556,019)	(4,708,000)	(848,019)	Amortization was accelerated due to deaths or move-outs prior to estimated life expectancy tables
Change in Contributions Receivable, Net	1,881,885	1,447,000	434,885	Collections on Pledges receivable exceeded expectations, which were Forecast at a conservative level
Decrease/(Increase) in Assets		130,000	(130,000)	Forecast combined all increases/decreases in Assets into one line. The differences are immaterial even when looked at as a group.
Receivables	235,728		235,728	Immaterial
Prepays	26,780		26,780	Immaterial
Entrance Fee Escrow	(172,669)		(172,669)	Immaterial
Increase/(Decrease) in Liabilities		683,000	(683,000)	Forecast combined all increases/(decreases) in Liabilities into one line so this section must be compared as a group. The items here all relate to timing. Total Difference is \$1.053 Million, which all relates to the timing of AP
Accounts payable	79,257		79,257	
Accrued payroll and related items	(249,262)		(249,262)	
Accrued interest payable	1,751,479		1,751,479	
Entrance Fee Deposits	62,280		62,280	
Deferred revenue	92,688		92,688	
<b>Net Cash from Operating Activities</b>	<b>13,713,054</b>	<b>9,114,000</b>	<b>4,599,054</b>	
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Net Change in Investments	(6,516,175)	(8,271,000)	1,754,825	In the Forecast, Investments are conservatively estimated. Actual results were \$1.7 Million higher than expected due to improved market conditions, and cash transfers to build up investment balances.
Purchase of Property and Equipment	(30,683,702)	(42,295,000)	11,611,298	<b>Footnote C</b>
Capitalized Interest	(2,841,000)	(2,841,000)	2,841,000	<b>Footnote C</b>
Net Change in Assets Limited as to Use	11,717,768	44,198,000	(32,480,232)	<b>Footnote C</b>
<b>Net Cash from Investing Activities</b>	<b>(25,482,109)</b>	<b>(9,209,000)</b>	<b>(16,273,109)</b>	<b>Subtotal</b>
<b><u>FINANCING ACTIVITIES</u></b>				
Net Proceeds from Refundable Advance	1,387,337	0	1,387,337	Net Proceeds from PPP Forgivable Loan
Entrance Fees Refunded	(194,670)	0	(194,670)	Immaterial
<b>Net Cash from Financing Activities</b>	<b>1,192,667</b>	<b>0</b>	<b>1,192,667</b>	<b>Subtotal</b>
<b>Change in Cash</b>	<b>(10,576,388)</b>	<b>(95,000)</b>	<b>(10,481,388)</b>	<b>Total</b>
<b>Cash and Equivalents - Beginning of Yr</b>	<b>37,217,152</b>	<b>7,938,000</b>	<b>29,279,152</b>	
<b>Cash and Equivalents - End of Year</b>	<b>26,640,764</b>	<b>7,843,000</b>	<b>18,797,764</b>	
<b>Supplemental Disclosure of Cash Flow Information</b>				
Operating Cash and Cash Equivalents	9,209,737			
Restricted Cash included in Assets Limited	17,431,027			
<b>Total</b>	<b>26,640,764</b>			

**C** Property Plant and Equipment and Assets Whose Use Is Limited are significantly influenced by a \$100 Million project and the timing of financing. Construction/Renovation project was delayed several months in 2020 due to COVID 19, as well as soil samples differences from testing, and delays in completing the street intersection related to cabling from AT&T. This created a lag in disbursements related to the project, which is grouped with Property and Equipment. This also creates a delay in using the Construction Funds held from Bond Financing which increases the projected balance remaining in the Construction fund and creating a variance in the cash flows from Assets Whose use is Limited.

EXHIBIT C  
TO  
THE PRESBYTERIAN HOME AT CHARLOTTE, INC  
(SHARON TOWERS)  
CONTINUING CARE DISCLOSURE STATEMENT

Unaudited Financial Statement as of April 30, 2021



The Presbyterian Home At Charlotte, Inc.

Balance Sheet

UNAUDITED

4/30/2021

Assets	
Current Assets	
Cash	9,780,849
Receivables:	
Receivables Residents and Other, Net	1,211,484
Contributions, Current Portion	216,469
Investments	29,424,519
Prepaid Expenses & Other Assets	369,202
Entrance Fee Escrow	3,339,660
<b>Total Current Assets</b>	<b>44,342,183</b>
Assets Whose Use Is Limited	
Statutory Operating Reserve	5,075,750
Held Under Bond Agreements	35,793,284
Capital Campaign Fund	3,151,164
<b>Total Assets Whose Use Is Limited</b>	<b>44,020,198</b>
Contributions, Net of Current Portion	269,979
Property and Equipment, Net	107,810,038
<b>Total Assets</b>	<b>196,442,398</b>
<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>	
Accounts Payable	4,166,976
Accrued Payroll and Related	908,268
Accrued Interest Payable	1,166,054
<b>Total Current Liabilities</b>	<b>6,241,298</b>
Refundable Entrance Fees	4,485,457
Deferred Revenue - Relief Funds (HHS)	167,459
Deferred Revenue	28,404,701
Entrance Fee Deposits	3,918,919
Advanced Refunding Liability (PPP)	5,084
Bonds Payable	84,714,124
<b>Total Liabilities</b>	<b>127,937,042</b>
<b>Net Assets</b>	
Net Assets Without Donor Restrictions:	
Unrestricted - RAF	5,391,667
Unrestricted	52,152,490
Net Income Current Year	4,191,857
<b>Net Assets Without Donor Restrictions</b>	<b>61,736,014</b>
Net Assets With Donor Restrictions	
Purpose Restricted Prior Year	3,591,466
Net Income Current Year - With Donor Restriction	145,870
<b>Purpose Restricted Net Assets</b>	<b>3,737,336</b>
Perpetual In Nature	1,150,927
Perpetual In Nature - RAF	1,881,079
<b>Perpetual in Nature</b>	<b>3,032,006</b>
<b>Total Net Assets</b>	<b>68,505,356</b>
<b>Total Liabilities and Net Assets</b>	<b>196,442,398</b>

**The Presbyterian Home at Charlotte, Inc.**  
**Statement of Operations and Changes in Net Assets**  
**4/30/2021**  
**UNAUDITED**

	<b>YEAR TO DATE</b> <b>Actual \$</b>
Revenue Gains and Other Support	
Independent Living	3,121,015
Assisted Living	808,469
Health Care	2,369,550
Amortization of Earned Entrance Fees	1,647,282
Other Resident Service Revenue	564,316
<b>Total Resident Services Revenue</b>	<b>8,510,632</b>
Contributions	142,733
Contribution PPE Forgiveness	1,382,254
Realized Gain/Losses	4,136,937
UnRealized Gains/Losses	(2,609,038)
Restricted Funds Released	367,371
<b>Total Revenue, Gains, and Support</b>	<b>11,930,889</b>
 Expenses	
Salaries and Wages	3,236,043
Employee Benefits	551,875
Payroll Taxes	226,222
Food and Related Supplies	385,904
Housekeeping and Maintenance	762,484
Utilities and Communication	324,383
Health Care Supplies	437,947
Professional Fees	63,905
Insurance	100,943
Marketing and Development	134,496
Community Service	31,679
Supplies and Other Expenses	88,270
COVID 19 Expenses	193,374
Interest Expense and Fees	40,136
Depreciation	1,161,371
<b>Total Operating Expenses</b>	<b>7,739,032</b>
<b>Operating Income &amp; Excess of Revenues Gains</b>	<b>4,191,857</b>
 <b>Net Assets with Donor Restrictions</b>	
Contributions	399,530
Investment Income	113,711
Net Assets Released From Restriction	(367,371)
<b>Change in Net Assets with Donor Restriction</b>	<b>145,870</b>
<b>Total Change in Net Assets</b>	<b>4,337,727</b>

**Sharon Towers**  
**Statement of Cash Flows**  
**UNAUDITED**

<b>Cash Flows From Operating Activities</b>	<b>4/30/2021</b>
<b>Change in Net Assets</b>	<b>4,337,727</b>
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	1,161,371
Amortization of Bond Issuance Cost	26,988
Amortization of Bond Premium	(89,512)
Unrealized (Gains) Losses on Investments	2,830,506
Realized (Gains) on Investments	(4,328,489)
Entry Fees Received - Gross	1,144,219
Deerwood - 10% Deposits - Net	1,082,139
Amortization of Deferred Revenue from Entrance Fees	(1,647,282)
Net Deferred Proceeds from HHS CARES Relief	167,459
(Increase)/Decrease in Assets:	
Accounts Receivable	(132,431)
Contributions Receivable	143,686
Prepaid Expense and other Assets	(17,472)
Entrance Fee Escrow	(1,046,346)
Increase/(Decrease) in Liabilities:	
Account Payable	(4,651)
Accrued Payroll and Related Items	222,838
Accrued Interest	(585,623)
Deferred Revenue	59,599
Entrance Fee Deposits (Wait List)	256,726
<b>Net Cash Provided by Operating Activities</b>	<b>3,581,451</b>
 <b>Cash Flows From Investing Activities</b>	
Proceeds from Sales/(Purchases) of Investments	(194,476)
Change in Assets Whose Use is Limited	9,487,130
Purchases of Property and Equipment	(13,351,967)
<b>Net Cash Used in Investing Activities</b>	<b>(4,059,313)</b>
 <b>Cash Flows from Financing Activities</b>	
Stimulus PPP Forgivable Loan	(1,382,254)
Proceeds from Issuance of Debt (B-Bonds)	2,600,000
Entry Fees Refunded	-
Entry Fees Received on Refundable Entry Fees (50 & 90%)	(168,772)
<b>Net Cash Provided by Financing Activities</b>	<b>1,048,974</b>
 <b>Net Increase (Decrease) in Cash</b>	<b>571,112</b>
Beginning Cash	9,209,737
Ending (agrees to balance Sheet Cash)	9,780,849

EXHIBIT D  
TO  
THE PRESBYTERIAN HOME AT CHARLOTTE, INC  
(SHARON TOWERS)  
CONTINUING CARE DISCLOSURE STATEMENT

FIVE-YEAR PROJECTED STATEMENTS OF SUPPORT, OPERATING  
REVENUES, EXPENSES AND FUND BALANCES  
FOR THE CALENDAR YEARS 2021-2025

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.  
D/B/A SHARON TOWERS**

**PROJECTED FINANCIAL STATEMENTS AND  
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT**

**FOR THE FIVE YEARS ENDING  
DECEMBER 31, 2021 THROUGH DECEMBER 31, 2025**



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## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors  
The Presbyterian Home at Charlotte, Inc.  
d/b/a Sharon Towers  
Charlotte, North Carolina

Management is responsible for the accompanying projected financial statements of The Presbyterian Home at Charlotte, Inc. d/b/a Sharon Towers (the "Home"), which comprise the projected balance sheets as of December 31, 2021, 2022, 2023, 2024 and 2025, and the related projected statements of operations and changes in net assets, and cash flows for the years then ending, and the related summaries of significant assumptions and accounting policies in accordance with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the projected financial statements, 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, nor provide any form of assurance on these projected financial statements or the assumptions. Furthermore, even if the hypothetical assumptions as noted in Management's Summary of Significant Projection Assumptions and Accounting Policies on page 5 (the "Hypothetical Assumptions") occur as projected, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

The accompanying projected information and this report are intended solely for the information and use of management, the Board of Directors, and the North Carolina Department of Insurance (pursuant to the requirements of North Carolina General Statutes, Chapter 58, Article 64 and is included in the Home's disclosure statement filing), and is not intended to be and should not be used, by anyone other than these specified parties.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
May 24, 2021

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC. D/B/A SHARON TOWERS**  
**PROJECTED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS**  
**ASSUMING THE HYPOTHETICAL ASSUMPTIONS LISTED ON PAGE 5**  
**FOR THE FIVE YEARS ENDING DECEMBER 31,**  
**(000'S OMITTED)**

	2021	2022	2023	2024	2025
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>					
Independent Living	\$ 9,668	\$ 11,835	\$ 12,885	\$ 13,275	\$ 13,677
Assisted Living	2,317	2,402	2,490	2,581	2,675
Health Care	4,675	4,988	5,800	6,946	7,502
Medicare	2,976	2,211	3,336	4,380	4,410
Amortization of Entrance Fees	5,054	6,926	7,090	7,259	7,434
Pharmacy, Rents, and Other Revenue	1,828	1,886	1,945	2,006	2,069
Investment Income	1,238	1,332	1,288	1,389	1,464
Contributions	1,824	275	275	275	275
Net Assets Released from Restrictions for Operations	220	170	130	123	116
<b>Total Revenue, Gains, and Other Support</b>	<b>29,800</b>	<b>32,025</b>	<b>35,239</b>	<b>38,234</b>	<b>39,622</b>
<b>EXPENSES</b>					
Healthcare	7,382	7,603	8,223	10,193	10,720
Maintenance and Operations	3,068	3,536	3,697	3,808	3,922
Housekeeping	1,210	1,602	1,704	1,757	1,812
Laundry	62	64	66	68	70
Dining Services	3,339	3,625	3,761	3,874	3,990
Administration	3,218	3,050	3,273	3,467	3,585
Marketing and Development	1,023	1,054	1,086	1,119	1,153
Activities and Social Services	1,020	1,051	1,083	1,115	1,148
Interest	207	3,299	3,514	3,514	3,514
Interest- Amortization of Issuance Costs	81	81	81	81	81
Interest- Amortization of Bond Premium	(269)	(269)	(269)	(269)	(269)
Depreciation	3,689	5,742	6,496	6,630	6,746
<b>Total operating expenses</b>	<b>24,030</b>	<b>30,438</b>	<b>32,715</b>	<b>35,357</b>	<b>36,472</b>
Excess of Revenues, Gains and Other Support Over Expenses	5,770	1,587	2,524	2,877	3,150
Net Assets Released From Restrictions- Capital Campaign	-	4,114	205	206	145
<b>Change in Net Assets Without Donor Restrictions</b>	<b>5,770</b>	<b>5,701</b>	<b>2,729</b>	<b>3,083</b>	<b>3,295</b>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>					
Contributions	1,300	-	-	-	-
Investment Income on Donor Restricted Funds	220	170	130	123	116
Net Assets Released From Donor Restrictions- Operations	(220)	(170)	(130)	(123)	(116)
Net Assets Released From Donor Restrictions- Capital	-	(4,114)	(205)	(206)	(145)
<b>Change in Net Assets With Donor Restrictions</b>	<b>1,300</b>	<b>(4,114)</b>	<b>(205)</b>	<b>(206)</b>	<b>(145)</b>
<b>Change in Net Assets</b>	<b>7,070</b>	<b>1,587</b>	<b>2,524</b>	<b>2,877</b>	<b>3,150</b>
<b>Net Assets, Beginning of Year</b>	<b>64,167</b>	<b>71,237</b>	<b>72,824</b>	<b>75,348</b>	<b>78,225</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 71,237</b>	<b>\$ 72,824</b>	<b>\$ 75,348</b>	<b>\$ 78,225</b>	<b>\$ 81,375</b>

**See accompanying Summary of Significant Projection Assumptions and Accounting Policies and Independent Accountants' Compilation Report**



**THE PRESBYTERIAN HOME AT CHARLOTTE, INC. D/B/A SHARON TOWERS**  
**PROJECTED STATEMENTS OF CASH FLOWS**  
**ASSUMING THE HYPOTHETICAL ASSUMPTIONS LISTED ON PAGE 5**  
**FOR THE FIVE YEARS ENDING DECEMBER 31,**  
**(000'S OMITTED)**

	2021	2022	2023	2024	2025
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Change in Net Assets	\$ 7,070	\$ 1,587	\$ 2,524	\$ 2,877	\$ 3,150
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:					
Earned Entrance Fees	(5,054)	(6,926)	(7,090)	(7,259)	(7,434)
Entrance Fees Received from Turnover, Net of Refunds	5,687	5,892	6,124	6,399	6,655
Depreciation	3,689	5,742	6,496	6,630	6,746
Amortization of Bond Issuance Costs Included in Interest Expense	81	81	81	81	81
Amortization of Bond Premium	(269)	(269)	(269)	(269)	(269)
Change in Contributions Receivable	(243)	257	205	206	205
(Increase) Decrease in Current Assets:					
Accounts Receivable	(97)	(102)	(172)	(149)	(63)
Prepaid Expenses	(38)	(24)	(25)	(48)	(19)
Increase (Decrease) in Current Liabilities:					
Accounts Payable	3	(3,289)	54	103	41
Accrued Payroll	39	45	46	90	35
Change in Refundable Advance - Paycheck Protection Program	(1,382)	-	-	-	-
<b>Net Cash Provided by Operating Activities</b>	<b>9,486</b>	<b>2,994</b>	<b>7,974</b>	<b>8,661</b>	<b>9,128</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
(Purchase) Sale of Investments	(2,383)	1,526	(2,159)	(1,172)	(1,333)
Net Purchases of Property and Equipment	(49,961)	(15,304)	(4,800)	(4,850)	(4,900)
Interest Costs Capitalized in Property and Equipment	(3,549)	(262)	-	-	-
Net Change in Assets Limited as to Use	28,618	12,324	(327)	(1,505)	(688)
<b>Net Cash Used in Investing Activities</b>	<b>(27,275)</b>	<b>(1,716)</b>	<b>(7,286)</b>	<b>(7,527)</b>	<b>(6,921)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Initial Entrance Fee Receipts	-	16,398	-	-	-
Proceeds from Series 2019 Bonds	17,864	-	-	-	-
Principal Payments on Long-Term Debt	-	(18,000)	-	-	(1,755)
Payment on Paycheck Protection Program	(5)	-	-	-	-
Change in Resident Deposits	-	2,293	-	-	-
<b>Net Cash Used in Financing Activities</b>	<b>17,859</b>	<b>691</b>	<b>-</b>	<b>-</b>	<b>(1,755)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>70</b>	<b>1,969</b>	<b>688</b>	<b>1,134</b>	<b>452</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>9,210</b>	<b>9,280</b>	<b>11,249</b>	<b>11,937</b>	<b>13,071</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 9,280</b>	<b>\$ 11,249</b>	<b>\$ 11,937</b>	<b>\$ 13,071</b>	<b>\$ 13,523</b>
Supplemental Disclosure of Cash Flow Information:					
Cash Paid for Interest	\$ 3,756	\$ 3,560	\$ 3,514	\$ 3,514	\$ 3,514

**See accompanying Summary of Significant Projection Assumptions and Accounting Policies and Independent Accountants' Compilation Report**

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC. D/B/A SHARON TOWERS**  
**PROJECTED BALANCE SHEETS**  
**ASSUMING THE HYPOTHETICAL ASSUMPTIONS LISTED ON PAGE 5**  
**AT DECEMBER 31,**  
**(000'S OMITTED)**

	2021	2022	2023	2024	2025
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 9,280	\$ 11,249	\$ 11,937	\$ 13,071	\$ 13,523
Accounts and Other Receivable, Net	1,176	1,278	1,450	1,599	1,662
Current Portion of Contributions Receivable	257	205	206	205	-
Investments	30,115	28,589	30,748	31,920	33,253
Assets Limited as to Use, Current Portion	1,780	1,757	1,757	2,635	2,634
Prepaid Expenses	390	414	439	487	506
<b>Total Current Assets</b>	<b>42,998</b>	<b>43,492</b>	<b>46,537</b>	<b>49,917</b>	<b>51,578</b>
<b>ASSETS LIMITED AS TO USE</b>					
Statutory Operating Reserve	5,081	5,396	5,723	6,350	7,039
Capital Campaign Fund	2,646	-	-	-	-
Construction Fund	7,971	-	-	-	-
Capitalized Interest Fund	1,999	-	-	-	-
Debt Service Reserve Fund	5,413	5,413	5,413	5,413	5,413
Bond Fund	1,780	1,757	1,757	2,635	2,634
<b>Total Assets Limited as to Use</b>	<b>24,890</b>	<b>12,566</b>	<b>12,893</b>	<b>14,398</b>	<b>15,086</b>
Less: Current Portion	(1,780)	(1,757)	(1,757)	(2,635)	(2,634)
<b>Total Assets Limited as to Use, Less Current Portion</b>	<b>23,110</b>	<b>10,809</b>	<b>11,136</b>	<b>11,763</b>	<b>12,452</b>
<b>CONTRIBUTIONS RECEIVABLE, NET OF CURRENT PORTION</b>	<b>616</b>	<b>411</b>	<b>205</b>	<b>-</b>	<b>-</b>
<b>ENTRANCE FEE ESCROW</b>	<b>2,293</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PROPERTY AND EQUIPMENT, NET</b>					
Property and Equipment	190,670	206,236	211,036	215,886	220,786
Less: Accumulated Depreciation	(45,234)	(50,976)	(57,472)	(64,102)	(70,848)
<b>Net Property and Equipment</b>	<b>145,436</b>	<b>155,260</b>	<b>153,564</b>	<b>151,784</b>	<b>149,938</b>
<b>OTHER ASSETS</b>					
	4	4	4	4	4
<b>Total Assets</b>	<b>\$ 214,457</b>	<b>\$ 209,976</b>	<b>\$ 211,446</b>	<b>\$ 213,468</b>	<b>\$ 213,972</b>
<b>Liabilities and Net Assets</b>					
<b>CURRENT LIABILITIES</b>					
Accounts Payable	4,176	887	941	1,044	1,085
Accrued Expenses	724	769	815	905	940
Accrued Interest Payable	1,752	1,752	1,752	1,752	1,752
Current Maturities of Long-Term Debt	18,000	-	-	1,755	1,805
<b>Total Current Liabilities</b>	<b>24,652</b>	<b>3,408</b>	<b>3,508</b>	<b>5,456</b>	<b>5,582</b>
<b>REFUNDABLE ENTRANCE FEES</b>	<b>4,388</b>	<b>3,858</b>	<b>3,378</b>	<b>2,913</b>	<b>2,422</b>
<b>DEFERRED REVENUE</b>	<b>29,747</b>	<b>45,641</b>	<b>45,155</b>	<b>44,760</b>	<b>44,472</b>
<b>ENTRANCE FEE DEPOSITS</b>	<b>2,580</b>	<b>2,580</b>	<b>2,580</b>	<b>2,580</b>	<b>2,580</b>
<b>BONDS PAYABLE</b>					
Long-Term Debt, Net of Current Portion	75,940	75,940	75,940	74,185	72,380
Deferred Financing Costs	(1,583)	(1,502)	(1,421)	(1,340)	(1,259)
Unamortized Bond Premium	7,496	7,227	6,958	6,689	6,420
<b>Net Long-Term Debt</b>	<b>81,853</b>	<b>81,665</b>	<b>81,477</b>	<b>79,534</b>	<b>77,541</b>
<b>Total Liabilities</b>	<b>143,220</b>	<b>137,152</b>	<b>136,098</b>	<b>135,243</b>	<b>132,597</b>
<b>NET ASSETS</b>					
Net Assets Without Donor Restrictions	63,314	69,015	71,744	74,827	78,122
Net Assets With Donor Restrictions	7,923	3,809	3,604	3,398	3,253
<b>Total Net Assets</b>	<b>71,237</b>	<b>72,824</b>	<b>75,348</b>	<b>78,225</b>	<b>81,375</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 214,457</b>	<b>\$ 209,976</b>	<b>\$ 211,446</b>	<b>\$ 213,468</b>	<b>\$ 213,972</b>

**See accompanying Summary of Significant Projection Assumptions and Accounting Policies and Independent Accountants' Compilation Report**

**Background and Information**

**Basis of Presentation**

The accompanying financial projection presents, to the best of the knowledge and belief of management (“Management”) of The Presbyterian Home at Charlotte, Inc. d/b/a Sharon Towers, a North Carolina nonprofit corporation (the “Home,” “Sharon Towers,” or the “Corporation”), the Home’s expected financial position, results of operations and cash flows as of December 31, 2021, 2022, 2023, 2024 and 2025 and for each of the five years then ending (the “Projection Period”).

A projection is a presentation of prospective financial information that is subject to one or more hypothetical assumptions. Management has included assumptions that are considered to be a “Hypothetical Assumption” as defined by the American Institute of Certified Public Accountants’ *Guide for Prospective Financial Information*. A Hypothetical Assumption is defined as follows: “An assumption used in a financial projection or in a partial presentation of projected information to present a condition or course of action that is not necessarily expected to occur, but is consistent with the purpose of the presentation.”

Management’s hypothetical assumptions (the “Hypothetical Assumptions”) are as follows:

- The Project, as defined subsequently herein, is constructed for amounts and under the timing as projected;
- Management fills and sells any Project-related units, at the disclosed fee levels, as projected;
- Management operates its Project as projected;
- The World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to Sharon Towers, COVID-19 may impact various parts of its 2021 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. The full impact of COVID-19 is unknown and cannot be reasonably estimated as of the date of this Projection; however:
  - Management has projected approximately \$461,000 of COVID-19 related expenses in 2021.
  - Sharon Towers received \$167,000 in Provider Relief Funds in March 2021. Management has projected the usage of these funds to cover expenses associated with healthcare services and increased supplies during the COVID-19 pandemic during the year ending December 31, 2021. Management has included the Provider Relief Funds in contributions revenue during 2021.
  - Sharon Towers received approval from the Small Business Administration (“SBA”) for forgiveness of approximately \$1,382,000 in Payroll Protection program (“PPP Loan”) in 2021. Management has projected the recognition of the forgiveness in contributions revenue during 2021.
  - Management has projected approximately \$1,300,000 in restricted contributions in 2021 related to its ongoing Capital Campaign (the “Capital Campaign”).

**Background and Information (continued)**

Accordingly, the financial projection reflects Management's judgment as of May 24, 2021, the date of this projection, of the expected conditions and its expected course of action during the Projection Period. The assumptions disclosed herein are the assumptions which Management believes are significant to the financial projection. There usually will be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. Management does not intend to revise this projection to reflect changes in present circumstances or the occurrence of unanticipated events.

***The accompanying projection information and the report are intended solely for the information and use of Management, the Board of Directors, and the North Carolina Department of Insurance (pursuant to the requirements of North Carolina General Statutes, Chapter 58, Article 64 and is included in Sharon Towers' disclosure statement filing), and is not intended to be and should not be used, by anyone other than these specified parties.***

**Background of Sharon Towers**

The Corporation is a North Carolina nonprofit corporation that was organized in 1964. The Corporation owns and operates a single-site "Life Plan Community" known as "Sharon Towers" which is located at 5100 Sharon Road, Charlotte, North Carolina approximately seven miles south of center city Charlotte in the residential and commercial area known as SouthPark. The Corporation has been determined by the Internal Revenue Service to be exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code.

Sharon Towers is governed by an 18 to 24 person board of directors, divided into three classes and elected for three-year terms by the Presbytery of Charlotte. A director may serve two consecutive full terms. The Corporation's policy is that one resident, nominated by the general resident population, serve in each class. No director is an employee of the Corporation, nor do they receive any compensation for their service. The Presbytery of Charlotte is organized and exists under the authority of the constitution of the Presbyterian Church (U.S.A.). Nevertheless, neither the Presbyterian Church (U.S.A.), the Presbytery of Charlotte (or its successor) nor any general assembly, board, synod, presbytery, session, church, congregation or agency thereof has any financial or managerial responsibility for the business or affairs of Sharon Towers other than the election of its directors as described above.

The Corporation opened the "East Tower" of Sharon Towers and a "Health Care Center" in 1969. The "West Tower", "South Wing" and additional nursing beds were added in 1974, 1978 and 1985, respectively. There are two assisted living units in the West Tower which opened in November 1994 and May 1996. The "North Terrace" and an aquatics facility opened in 1999, and the "South Terrace" opened in 2003. "Magnolia Villas", which consists of two multi-story apartment buildings, is the most recent expansion at Sharon Towers. Magnolia Villa I and Magnolia Villa II opened in 2017 and 2018, respectively.

The Corporation has also added cottages at the community at various times. The Corporation initiated a cottage renewal program in 2004, leading to the extensive renovation or expansion of vacated cottages. The Corporation demolished certain old cottages when permitted by zoning restrictions and built larger cottages with enhanced floor plans.

**Background and Information (continued)**

**Existing Facilities**

Sharon Towers currently maintains six residential towers (one ten-story, three six-story, and two three-story) surrounded by freestanding or paired cottages on approximately 28 wooded acres. Sharon Towers' campus is surrounded by single-family neighborhoods on its west, south, and north boundaries. Sharon Road separates the eastern boundary of the campus and across the road are two condominium complexes and Sharon Presbyterian Church.

*Independent Living Units*

The independent living units of Sharon Towers consist of 73 apartments, 32 cottage units, 74 terrace units, and 35 villa units (the "Existing Independent Living Units"). 14 Existing Independent Living Units and 2 cottages are offline and Management has projected they will remain offline during the Projection Period.

Apartment floor plans vary depending on location and include studio, one- and two-bedroom units, with either one or two bathrooms. Each unit, with the exception of studios, features a living room, one or two bathrooms, carpeting and a fully-equipped kitchen. All independent units have individually controlled heating and air conditioning, cable television and telephone hook-ups, and a 24-hour fire, safety and medical emergency call system. Most of the independent living units are equipped with microwave ovens and some have washer/dryers. Residents may be directly admitted into this level of care from the outside community under a Residency Agreement, as defined hereinafter.

The buildings that make up the main building complex, located in the center of the campus, are physically connected and do not require walking outside in order to get from one building to another. These are the East Tower, West Tower, the North Terrace, South Terrace and the core connector building with its south wing. The core connector building (the "Core Building") is a four-story building that connects the East Tower and West Tower lounges. The kitchen facilities are located on the lower level, dining venues on the main floor, and the Health Care Center on the upper two floors.

The East Tower consists of seven stories, one of which is located underground. The West Tower is six stories in height, all above ground. These towers house numerous resident amenity spaces including resident storage, a beauty shop, a resident-run resale shop, a library, an arts and crafts room, the main lobby and a common living room known as the "Harris Towne Center", as well as support services including maintenance, housekeeping, laundry facilities and some management offices.

The North Terrace and South Terrace buildings, connected to the East Tower on the north and south sides, house larger independent living apartments. The North Terrace is five stories tall with five apartments per floor. Parking is provided under the building. Similar in square footage and floor plans to the North Terrace, the South Terrace is 10 stories tall and has five apartments per floor, with the exception of the 10th floor, where a community room overlooks the Charlotte skyline. Parking for the South Terrace is located in an adjacent parking deck.

The newest independent living accommodations are the "Magnolia Villas" and are separate from the main tower buildings. Each Magnolia Villa houses eighteen residential apartments (six per floor), a community room and underbuilding parking.

The Corporation has 32 independent living cottages in operation.

**Background and Information (continued)**

*Assisted Living Care*

The Corporation currently operates the “Assisted Living Unit” or the “Azalea West Assisted Living Unit” which is located on the second and third floors of the West Tower. The Azalea West Assisted Living Unit includes 40 licensed assisted living beds total, each licensed as “Adult Care,” of which 38 private units are operational (the “Assisted Living Units”), with additional memory support care, where needed, but are not licensed as special care units for residents with dementia. Each resident room is private with a private bathroom, including shower, and is equipped with individually controlled heating and air-conditioning, cable hook-ups, a phone jack, and an emergency call system. Assisted living residents receive nursing staff attention daily. Residents also receive assistance with medication, bathing, dressing and grooming; linen and housekeeping service; activities and social service programs; and meals three times per day. Residents may be directly admitted into this level of care from the outside community under a Residency Agreement, as defined hereinafter. The Assisted Living Units are not Medicare or Medicaid certified.

*Nursing Care*

The “Health Care Center” includes 96 licensed nursing care beds (“Nursing Beds”) (70 of which are operational, with 24 units offline during renovation and one semi-private room offline being used as a temporary therapy room). The Health Care Center consists of two units located on the second and third floors of the Core Building. The second floor houses 51 long-term care beds programmed for residents with dementia and is secured with magnetic locks, but are not licensed as special care units for residents with dementia. The third floor houses 24 long-term health care beds programmed for alert and oriented residents and 19 Medicare-certified short-term rehabilitation beds. Each resident room is private with all but four resident rooms having a semi-private toilet room. The remaining four resident rooms are private with a private toilet room. The Health Care Center provides nursing care residents 24-hour supervision and assistance in activities of daily living and health-related care. Bathing facilities, a dining room, and common rooms are also included in this area. Residents may be directly admitted into this level of care from the outside community under a Residency Agreement for 62 of the 96 beds. No portion of the Health Care Center is Medicaid certified.

*Home Care Services*

The Corporation is licensed by the North Carolina Department of Health and Human Services (“NCDHHS”) to operate a “Home Care Agency.” Home Care Agency services provided include nursing care, in-home aide, medical social services, companion, sitter, and respite care. Home Care Agency services are administered through the Wellness Clinic for an additional charge. The Corporation’s Home Care Agency services are not Medicare or Medicaid certified.

*Common Areas*

The common areas are located throughout the main buildings. They serve as gathering places for residents and include a wellness clinic, physician’s clinic, aquatics center, chapel, mail room, dining rooms, multi-purpose rooms, convenience store, lounges, central kitchen, private dining room, library, an arts and crafts room, administration areas, common rooms for activities and social interactions, resident storage spaces, exercise room, and facilities for beautician services. Sharon Towers may also provide facilities for the sale of sundry items and other amenity areas dependent on Sharon Towers’ determination of demand or the availability of providers.

**Expansion Plans**

Sharon Towers’ Board of Directors approved a long-range campus plan (the “Plan”) located along the north portion of its campus as well as 2.5 acres of contiguous property purchased in 2014. The primary

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**See accompanying Independent Accountants’ Compilation Report**

Summary of Significant Projection Assumptions and Accounting Policies

Background and Information (continued)

goal of the Plan is to revitalize the community through a variety of improvements that are centered around resident care, independence, and choice, while positioning Sharon Towers for the next generation of residents.

Sharon Towers received Charlotte’s City Council’s unanimous rezoning approval of this multi-phased plan in September of 2018.

The first phase of the Plan (known as “Phase 1”) addresses existing facilities and calls for improvements, via expansion and renovation, of the core building connector which houses both residential amenity spaces, dining facilities, and health care. It also includes construction of a five-story 42 independent living unit building with underbuilding parking known as The Deerwood (“Deerwood”) (included in the Project, as defined hereinafter). The Deerwood apartments will range in size from approximately 1,000 to 2,148 heated square feet with each apartment having a private terrace. Phase 1 will also include entrance intersection improvements, physical plant improvements, and the creation of a park open to the public and located on Sharon Road.

Phase 2 of the Plan includes the addition of a second five-story independent living building with approximately 32 apartments, a fitness facility, and a mixed use area to include a performing art space, restaurant with greenhouse, and a small amount of retail and office space. Phase 2 also incorporates an additional 52 independent living apartments atop the mixed use and fitness facilities. **Although the Plan ultimately anticipates Phase 2, the timing of Phase 2 is subject to variation and the scope of Phase 2 can change materially from what is planned at this time. Due to the expectations of the work associated with Phase 1, it is unlikely that Phase 2 would begin prior to completion of Phase 1. Phase 2 has, therefore, been excluded from Management’s Projection.**

The Project

Management plans to develop a five-story, 42 new independent living apartment structure with underground parking known as The Deerwood (also referred to as the “New Independent Living Apartments”), renovate and expand their existing health center (the “New Health Care Center”), and renovate and expand the common areas of the Core Building. The New Independent Living Apartments and the New Health Care Center (collectively, the “Project”) are to be located on the existing campus.

The following table summarizes management’s projected unit configuration for the New Independent Living Apartments:

<b>Description</b>	<b>Approximate Square Feet</b>	<b>Number of Units</b>
Devin - 1 Bedroom and 1.5 Bath	1,000	2
Tegan - 2 Bedroom and 2 Bath	1,300	15
Hartley 1 & 2 - 2 Bedroom and 2.5 Bath with Den	1,900	18
Woodlea - 2 Bedroom, 2.5 Bath with Den and Fireplace	2,148	4
Darby - 3 Bedroom and 3 Bath with Den	2,056	3
Total / Weighted Average	1,678	42

Source: Management

**See accompanying Independent Accountants’ Compilation Report**

**Summary of Significant Projection Assumptions and Accounting Policies**

**Background and Information (continued)**

Collectively, the Existing Independent Living Units and the New Independent Living Apartments will be referred to as the "Independent Living Units."

The following table presents the Community's unit configuration before and after completion of the Project.

**Table 2  
Unit Configuration Before and After Completion of the Project**

<b>Description</b>	<b>Existing Facility Number of Units</b>	<b>Project Number of Units</b>	<b>Ending Number of Units</b>
<i>Independent Living</i>			
Studio - Rose Plan	1	-	1
Studio	1	-	1
Large Studio	2	-	2
One Bedroom	40	-	40
One Bedroom Large	4	-	4
One Bedroom Expand	12	-	12
One Bedroom Expand w/Den	1	-	1
One Bedroom Deluxe	3	-	3
Two Bedroom Apartment	4	-	4
Two Bedroom Large Apartment	4	-	4
Two Bedroom Expanded Apartment	1	-	1
Cottage A	6	-	6
Cottage B	9	-	9
Cottage C	3	-	3
Cottage D	5	-	5
Cottage E	3	-	3
Cottage F	3	-	3
Sunnybrook	3	-	3
Terrace A	15	-	15
Terrace B	38	-	38
Terrace C	20	-	20
Terrace D	1	-	1
Villa I - Cotswold	12	-	12
Villa I - Dilworth	11	-	11
Villa I - Foxcroft	4	-	4
Villa I - East Over	8	-	8
The Deerwood - Devin	-	2	2
The Deerwood - Tegan	-	15	15
The Deerwood - Hartley	-	18	18
The Deerwood - Woodlea	-	4	4
The Deerwood - Darby	-	3	3
<b>Total</b>	<b>214 <sup>(1)</sup></b>	<b>42</b>	<b>256</b>
<i>Assisted Living <sup>(2)</sup></i>			
Studio	32	-	32
Large Studio	4	-	4
Two Rooms	2	-	2
<b>Total</b>	<b>38</b>	<b>-</b>	<b>38</b>
<i>Nursing Beds <sup>(2)</sup></i>			
Private	94	-	94
<b>Total</b>	<b>94</b>	<b>-</b>	<b>94</b>
<b>Total</b>	<b>346</b>	<b>42</b>	<b>388</b>

Source: Management

**See accompanying Independent Accountants' Compilation Report**



**Summary of Significant Projection Assumptions and Accounting Policies**

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**Background and Information (continued)**

Notes:

- (1) As of the date of this report, the Community has 14 Existing Independent Living Units offline, one Cottage B, and one Cottage D offline.
- (2) As previously noted, the Corporation is licensed for 40 Assisted Living Units and 96 Nursing Beds; however, Management is only operating 38 Assisted Living Units and 94 Nursing Beds, respectively. In addition, 24 Nursing Beds are offline during renovation related to the Project.

**Project Timeline**

The following table is Management's projected Project timeline:

Event	Date
Construction Complete - New Independent Living Apartments <sup>(1)</sup>	December 2021
New Independent Living Apartments Fill Up Begins	January 2022
Construction Complete - New Health Care Center <sup>(1)</sup>	July 2022
Stablized Occupancy for New Independent Living Apartments	May 2022

Source: Management

Note:

- (1) As a result of COVID, as well as challenges in the supply chain, Management has indicated that there could be variability regarding construction completion and opening of the New Independent Living Apartments and New Health Care Center.

The Project is not expected to impact the total complement of Nursing Beds, and therefore, Management has not projected any permanent changes to its nursing revenue or expenses. Management has indicated, that for a period of time, a decline in Medicare revenue would occur as a result of a temporary reduction in the number of available beds during the construction period.

Collectively, the Existing Nursing Beds and the Replacement Nursing Beds will be referred to as the "Nursing Beds."

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**See accompanying Independent Accountants' Compilation Report**

## **Summary of Significant Projection Assumptions and Accounting Policies**

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### **Summary of Significant Accounting Policies**

#### **Basis of Accounting**

The Corporation maintains its accounting and financial records using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **Cash and Cash Equivalents**

The Corporation considers cash and cash equivalents to include all cash on hand and all highly liquid investments, which includes certificates of deposit that range from three to twelve months in maturity.

#### **Accounts Receivable**

Resident account receivables primarily consist of resident Monthly Service Fees, as defined hereinafter, and other resident charges, and are shown at the net realizable value less an estimated allowance for doubtful accounts. Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions.

#### **Contributions Receivable**

Contributions receivable consists of bequests due from estates and pledges for the Capital Campaign. In addition, Management has projected continuance of its Capital Campaign and has projected approximately \$1,300,000 of contributions in 2021 with collections occurring throughout the Projection Period.

#### **Investments**

Investments in equity and debt securities are measured at fair value in the accompanying projected financial statements. Investment income (including realized gains and losses on investments, interest and dividends) is included in operating income unless the income is restricted by donor or law. Investments include the Sharon Towers' Residents' Assistance Fund, a revocable trust fund that was established in 1981 primarily to provide for a portion of the cost of resident care for those who are unable to pay the full cost of care from their own resources or who without the waiver of Entry Fees (the "Entry Fee") would not financially qualify. The Board of Directors may elect to use the unrestricted portion of the fund to meet operating expenses of Sharon Towers or for other charitable purposes. The donor restricted amounts are contained in both investments and net assets with donor restrictions on the projected balance sheets. As of December 31, 2020, the Residents' Assistance Fund approximated \$13,606,000, of which, approximately \$2,084,000 is in net assets with donor restrictions. Management has not projected any change during the Projection Period.

#### **Property and Equipment**

Property is recorded at cost if purchased or fair market value if donated, subject to a \$2,000 capitalization policy. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years. Interest costs incurred during the construction period of significant construction projects are capitalized as a cost of the constructed asset and amortized over the useful life of the asset.

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**See accompanying Independent Accountants' Compilation Report**

## **Summary of Significant Projection Assumptions and Accounting Policies**

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### **Summary of Significant Accounting Policies (continued)**

#### **Assets Limited as to Use**

Assets limited as to use include the operating reserve required by the North Carolina Department of Insurance, proceeds from the capital campaign for campus enhancements and funds held by a trustee under debt-related agreements.

#### **Bond Issuance Costs**

Debt issuance costs are presented in the balance sheet as a deduction from the carrying amount of the related liability, rather than as a deferred charge asset. In addition, amortization expense associated with the debt issuance costs is shown as a component of interest expense which approximates \$81,000 in all years of the Projection Period.

#### **Entry Fees**

The Reservation Agreement (the "Reservation Agreement") is entered into at the time a prospective resident pays a deposit equal to 10 percent of the published Entry Fee. Upon move-in, the Residency Agreement is entered into and specifies the services to be provided by Sharon Towers and the respective rights and duties of Sharon Towers and resident. The liability associated with these advance deposits is reported as refundable entrance fees in the accompanying projected balance sheets.

Sharon Towers offers a Standard Entry Fee Refund Plan in which Entry Fees may be refunded on a pro rata basis to residents vacating a unit in the first 12 months of occupancy, as outlined within the disclosure statement. Subsequently, the refund amount is zero. Once a unit is occupied, Entry Fees are recorded as refundable entrance fees until a year of occupancy in which time they become deferred revenue. The deferred revenue on standard contracts is recognized as income over the actuarially determined life of the resident.

Sharon Towers also offers, subject to availability, the 50% Refund Entry Fee Option and the 90% Refund Entry Fee Option. Under these plans, a new resident can elect to pay a higher Entry Fee, a portion of which is refundable when the unit is vacated. The refundable fees under this option are classified in the accompanying projected balance sheets as refundable entrance fees with the non-refundable portion being classified as deferred revenue.

Nonrefundable Entry Fees are amortized and recognized as income over the estimated life expectancy of the resident. The straight-line method of amortization is used.

Payment of the refund due is subject to Sharon Towers' ability to resell a comparable unit.

#### **Refundable Advance**

In April 2020, Sharon Towers received loan proceeds in the amount of \$1,647,592 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program ("the PPP Loan"). The PPP loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Therefore at December 31, 2020, Sharon Towers had classified this loan as a conditional contribution for accounting purposes. As of December 31, 2020, Sharon Towers had submitted their application for forgiveness, however they had not received formal SBA approval of their forgiveness application. During the year ended December 31, 2020, Sharon Towers repaid \$260,255 of

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**See accompanying Independent Accountants' Compilation Report**

## Summary of Significant Projection Assumptions and Accounting Policies

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### Summary of Significant Accounting Policies (continued)

the PPP loan as these proceeds were determined to be ineligible for forgiveness. Accordingly, the remaining amount was presented on the balance sheet as a refundable advance. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender. During 2021, Sharon Towers received notification from its bank that the PPP Loan forgiveness application was approved by the SBA and the loan amount was forgiven, with the exception of approximately \$5,000. The remaining balance is due by April 2, 2022, but was paid in full including \$1,800 of interest on May 11, 2021. Management has included the forgiveness of the PPP Loan in contribution income in 2021 on the projected statement of operations and changes in net assets.

### Net Assets

The projected financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations and which are available for use in general operations, including any funds designated by the board of directors for specific purposes.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that are either restricted in perpetuity, time restricted, or restricted for certain purposes. A donor's restriction is met when a stipulated time restriction ends or a special purpose restriction is accomplished. When a donor restriction no longer applies, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of operations as net assets released from restrictions. Net assets with donor restrictions also includes those net assets which have been restricted by donors to be maintained by Sharon Towers in perpetuity. Donors permit Sharon Towers to utilize investment earnings generated by the related assets.

### Estimated Obligation to Provide Future Services

Management offers a limited discount relating to the first 90 days of a nursing stay. As a result, Management does not project a liability related to the obligation to provide future services during the Projection Period.

### Income Tax Status

Sharon Towers is organized as a non-profit, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and under similar state statutes. Accordingly, no provision for income taxes is included in the accompanying projected statements of operations and changes in net assets.

### Use of Estimates

The preparation of projected financial statements in conformity with U.S. generally accepted accounting principles 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 projected financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

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See accompanying Independent Accountants' Compilation Report

**Summary of Significant Projection Assumptions and Accounting Policies**

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

**Risks and Uncertainties**

The Corporation holds investments in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. While no changes in investments have been projected, due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will continue to occur in the near term and that such changes could materially affect the Corporation's investment balances and the amounts reported in the projected balance sheets of Sharon Towers.

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**See accompanying Independent Accountants' Compilation Report**

**Summary of Significant Projection Assumptions and Accounting Policies**

**Management's Basis for Projection of Revenue**

Revenue for Sharon Towers is generated primarily from Monthly Service Fees for the Independent Living Units and Assisted Living Units, amortization of Entry Fees, and per diem charges for the Nursing Beds.

Revenue for the Independent Living Units is based on the Monthly Service Fees assumed by Management to be charged to the residents and the assumed utilization of the Independent Living Units. Healthcare revenues consist of income generated from services provided to residents transferring from the Independent Living Units, and those services provided to direct admission residents.

**Projected Occupancy Levels**

Projected occupancy for Sharon Towers' Independent Living Units is based upon the historical experience of Management, giving consideration to current economic conditions and expectations of ongoing success in its marketing activities.

Occupancy of the Assisted Living Units and Nursing Beds is projected to be from transfers from Independent Living Units as well as a limited number of direct admissions. Nursing bed occupancy is based primarily on internal transfers from both Independent Living Units and Assisted Living Units. Projected resident transfers from independent living to assisted living or nursing have been provided by Management.

The following table presents the projected occupancy for the Existing Independent Living Units, as projected by Management.

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**Table 4**  
**Projected Utilization of the Existing Independent Living Units**

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Year Ending December 31,	Average Available Units	Average Occupied Units	Average Occupancy
2021	214	203	94.9%
2022	214	203	94.9%
2023	214	203	94.9%
2024	214	203	94.9%
2025	214	203	94.9%

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Source: Management

Management has assumed double occupancy during the Projection Period of approximately 20% based upon historical performance of Sharon Towers.

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**See accompanying Independent Accountants' Compilation Report**

**Management's Basis for Projection of Revenue (continued)**

Projected occupancy for the New Independent Living Apartments is based upon Management's assumed move-in schedule for these units.

The following tables reflect Management's anticipated move-in schedule for the New Independent Living Apartments, as well as projected occupancy and utilization assumptions.

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**Table 5**  
**New Independent Living Apartments**  
**Projected Move-In Schedule**

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	Move-ins	Cumulative Occupancy	Available Units	Occupancy Percent
2022				
January	10	10	42	23.81%
February	12	22	42	52.38%
March	15	37	42	88.10%
April	1	38	43	88.37%
Thereafter		38	42	90.48%

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Source: Management

Management has projected initial double occupancy for the New Independent Living Apartments at 62% based upon the current 10% depositors for the New Independent Living Apartments.

Management has included in independent living revenues on the projected statements of operations and changes in net assets a net reduction of revenues of approximately \$750,000 in fiscal year 2021, inflated by 3 percent annually, related to projected charity care for independent living residents.

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**See accompanying Independent Accountants' Compilation Report**

**Management’s Basis for Projection of Revenue (continued)**

The following table outlines the projected utilization of the Assisted Living Units and Nursing Beds:

**Table 6**  
**Projected Utilization of the Assisted Living Units and Nursing Beds**

Assisted Living Units				
Year Ending December 31,	Average Available Units	Average Occupied Units	Average Occupancy	
2021	38	35	92.1%	
2022	38	35	92.1%	
2023	38	35	92.1%	
2024	38	35	92.1%	
2025	38	35	92.1%	

  

Nursing Beds				
Year Ending December 31,	Average Available Units	Average Occupied Units	Average Occupancy	
2021	70	55	78.6%	
2022	82	55	67.1%	
2023	96	63	65.6%	
2024	96	75	78.1%	
2025	96	77	80.2%	

Source: Management

Note:

- (1) Management has projected that they will have 24 nursing beds offline during the construction period which has resulted in the decline in occupied Nursing Beds noted above in 2021 and through June 2022.

The following table summarizes the projected payer mix for the Nursing Beds based upon resident days and resident revenue type:

**Table 7**  
**Nursing Beds – Resident Days and Revenue Mix**  
**For the Year Ending December 31,**

	2021			2022			2023			2024			2025		
	Number of Residents	Days Percentage Mix	Revenue Percentage Mix	Number of Residents	Days Percentage Mix	Revenue Percentage Mix	Number of Residents	Days Percentage Mix	Revenue Percentage Mix	Number of Residents	Days Percentage Mix	Revenue Percentage Mix	Number of Residents	Days Percentage Mix	Revenue Percentage Mix
Private	47	85.5%	61.1%	47	85.5%	69.3%	53	84.1%	63.5%	60	80.0%	61.3%	62	80.5%	63.0%
Medicare	8	14.5%	38.9%	8	14.5%	30.7%	10	15.9%	36.5%	15	20.0%	38.7%	15	19.5%	37.0%
Total	55	100.0%	100.0%	55	100.0%	100.0%	63	100.0%	100.0%	75	100.0%	100.0%	77	100.0%	100.0%

Source: Management

**Projected Entrance and Monthly Service Fees**

Management has projected that all unit sales during the Projection Period will select the Standard Entry Fee Refund Plan.

From time to time, Management may implement special incentives and move-in incentives with the effect of reducing the Entry Fees or reducing net cash flow, depending on the incentive. Management is currently offering a “Canopy Option” for the five cottages slated to be demolished at the point that Phase 2 of Sharon Towers master plan is initiated. Management has not projected Phase 2 to occur during the

**See accompanying Independent Accountants’ Compilation Report**



**Management's Basis for Projection of Revenue (continued)**

Projection Period. The Canopy Option charges a monthly premium of \$800 on top of the standard Monthly Service Fee as well as a \$10,000 Entry Fee for the cottage. When the resident is notified they must vacate the cottage, they choose another accommodation on campus. The premium fees paid up to that point, as well as the \$10,000 Entry Fee, are applied toward the Entry Fee of the accommodation the resident chooses to move into. Of the five cottages, Sharon Towers currently has two accepted Canopy Option. For the remaining three cottages, two have residents in the process of finalizing their Residency Agreement, and one is vacant.

The following table summarizes the current Entry Fees and private pay Monthly Service Fees for Sharon Towers' existing units.

**Table 8  
Monthly Service Fee and Entrance Fees through December 31, 2021**

Description	Square Feet	Number of Units <sup>(1)</sup>	Entrance Fee <sup>(2)</sup>	Monthly Fee <sup>(3)</sup>
<i>Independent Living</i>				
Studio - Rose Plan	250	1	N/A	\$950
Studio	250	1	\$35,000	\$2,678
Large Studio	300	2	\$45,000	\$2,797
One Bedroom	480	40	\$79,000	\$3,303
One Bedroom Large	550	4	\$94,900	\$3,387
One Bedroom Expand	750	12	\$146,500	\$3,626
One Bedroom Expand w/Den	1000	1	\$245,000	\$3,703
One Bedroom Deluxe	1100	3	\$261,100	\$3,824
Two Bedroom Apartment	750	4	\$140,000	\$3,626
Two Bedroom Large Apartment	850	4	\$176,000	\$3,661
Two Bedroom Expanded Apartment	1000	1	\$245,000	\$3,703
Cottage A	850 - 1,199	6	\$256,900 - \$307,800	\$3,729
Cottage B	1,200 - 1,399	9	\$334,600 - \$386,600	\$4,182
Cottage C	1,400 - 1,599	3	\$388,100	\$4,364
Cottage D	1,600 - 1,799	5	\$441,600 - \$468,400	\$4,579
Cottage E	1,800 - 2,199	3	\$495,200 - \$562,100	\$4,863
Cottage F	2,200 - 2,299	3	\$602,200 - \$655,700	\$5,270
Sunnybrook	1,555- 2,029	3	\$414,900 - \$562,100	\$4,148 - \$4,516
Terrace A	1,150 - 1,280	15	\$309,100	\$3,739
Terrace B	1,502 - 1,520	38	\$399,000	\$4,089
Terrace C	1,796	20	\$479,900	\$4,528
Terrace D	1,050	1	\$275,700	\$3,708
Villa I - Cotswold	1,365	12	\$365,300	\$3,654
Villa I - Dilworth	1,655	11	\$443,100	\$4,153
Villa I - Foxcroft	1,880	4	\$513,200	\$4,403
Villa I - East Over	1,940	8	\$529,600	\$4,438
Total / Weighted Average	1,226	214	\$310,887	\$3,837
<i>Second Person</i>			\$20,000	\$1,096 - \$1600
<i>Assisted Living</i>				
Studio	250	32	\$26,500	\$5,328
Large Studio	300	4	\$31,600	\$5,443
Two Rooms	480	2	\$39,700	\$7,968
Total / Weighted Average	267	38	\$27,732	\$5,479
<i>Nursing Beds</i>				
Private - Direct Admit Rate	250	94	\$8,300	\$10,898
Permanent Transfer Rate <sup>(4)</sup>			N/A	\$7,897
Temporary Transfer Rate <sup>(4)</sup>			N/A	\$5,070
Medicare <sup>(5)</sup>				\$550
Total / Weighted Average	250	94		

Source: Management

Notes:

See accompanying Independent Accountants' Compilation Report

**Management's Basis for Projection of Revenue (continued)**

- (1) As of the date of this report, the Community has 14 Existing Independent Living Units offline.
- (2) Pricing is for the Standard Entry Fee Refund Plan only. Management has assumed all prospective residents will choose the Standard Entry Fee Refund Plan during the Projection Period.
- (3) Independent living Monthly Service Fees include meal plan, except for the Sunnybrook cottages where it's optional.
- (4) Upon transfer to the Health Care Center, the resident pays the then published applicable transfer rate, which is historically discounted from the direct admit rate. The temporary transfer rate reflects a daily fee of \$169 for stays 90 days or less.
- (5) For Medicare, the amount noted above represents an estimated average daily per-diem amount.

**Projected Project Pricing**

The following table summarizes Management's projected pricing for the New Independent Living Apartments:

**Table 9**  
**Projected New Independent Living Apartment Pricing**  
**Monthly Service Fees and Entry Fees (Year 2022 Dollars)<sup>(3)</sup>**

Description	Approximate Square Feet	Number of Units <sup>(4)</sup>	Monthly Fee <sup>(1)</sup>	Entry Fee <sup>(2)</sup>	Presold <sup>(4)</sup>
<i>New Independent Living Apartments</i>					
Devin - 1 Bedroom and 1.5 Bath	1,000	2	\$3,206	\$296,000	1
Tegan - 2 Bedroom and 2 Bath	1,300	15	\$4,026	\$392,165	12
Hartley 1 - 2 Bedroom and 2.5 Bath with Den	1,900	13	\$4,759	\$549,100 - \$567,018	13
Hartley 2 - 2 Bedroom and 2.5 Bath with Den	1,900	5	\$4,759	\$535,100	4
Woodlea - 2 Bedroom, 2.5 Bath w/Den and Fireplace	2,148	4	\$6,540	\$649,900	1
Darby - 3 Bedroom and 3 Bath with Den	2,056	3	\$4,940	\$614,196	3
Total / Weighted Average	1,678	42	\$4,606	\$494,862	34
<i>Second Persons <sup>(5)</sup></i>			\$1,600	\$20,000	

Source: Management

Notes:

- (1) Reflects Monthly Service Fee including meal plan.
- (2) Reflects the Standard Entry Fee Plan. Management estimates that all but two of the incoming residents will choose this plan.
- (3) Note that Monthly Service Fees and Entry Fees are stated in 2022 dollars, which are projected to be in effect from opening in January 2022 through the end of year 2022. In addition, the entrance fees on some units could include an additional premium based upon availability, location, floor plan and finishes.
- (4) Reflects the number of units that have been presold as of May 2021.
- (5) Management has projected the same Monthly Service Fee and Entry Fee for first or second persons for the Woodlea only.

**See accompanying Independent Accountants' Compilation Report**

**Management’s Basis for Projection of Revenue (continued)**

The following table reflects projected rate increases. Increases in fees are generally anticipated to approximate increases in operating expenses during the Projection Period. However, fee increases may be adjusted to reflect actual changes in expenses. Entry Fees are continuously reviewed and adjusted as necessary to align with market demands.

**Table 10  
Projected Rate Increases**

Unit Type	2021	2022	2023	2024	2025
Independent Living Units - Monthly Service Fees	N/A	3.15%	3.15%	3.15%	3.15%
Independent Living Units - Entrance Fees	N/A	2.00%	2.00%	2.00%	2.00%
Assisted Living Units - Monthly Service Fees	N/A	3.65%	3.65%	3.65%	3.65%
Assisted Living Units - Entrance Fees	N/A	2.00%	2.00%	2.00%	2.00%
Nursing Beds - Monthly Service Fees <sup>(1)</sup>	N/A	3.65%	3.65%	3.65%	3.65%
Nursing Beds - Entrance Fees	N/A	2.00%	2.00%	2.00%	2.00%
Nursing Beds - Medicare <sup>(2)</sup>	N/A	1.00%	1.00%	1.00%	1.00%

Source: Management

Notes:

- (1) The rate increase listed is for private pay residents only.
- (2) The Medicare inflation rate was assumed to be 1.00% during the Projection Period.

**Entrance Fee Receipts**

Entrance fee receipts and refunds are based on information provided by Management based on historical experience, as well as Management’s assumptions relating to the Project and occupancies during the Projection Period. The following table reflects entrance fees received and refunds paid during the Projection Period for Sharon Towers, as projected by Management.

**Table 11  
Projected Entrance Fee Receipts, Net of Refunds  
For the Years Ending December 31,  
(In Thousands of Dollars)**

	2021	2022	2023	2024	2025
Independent Living Turnover Entrance Fees Received, Net of Refunds	\$ 5,687	\$ 5,892	\$ 6,124	\$ 6,399	\$ 6,655
Initial Entrance Fees Received from New Independent Living Apartments	-	16,398	-	-	-
<b>Total Entrance Fees Received, Net of Refunds</b>	<b>\$ 5,687</b>	<b>\$ 22,290</b>	<b>\$ 6,124</b>	<b>\$ 6,399</b>	<b>\$ 6,655</b>

Source: Management

See accompanying Independent Accountants’ Compilation Report

**Management's Basis for Projection of Revenue (continued)**

**Other Operating Revenue**

Other operating revenue is comprised primarily of companion services revenue, guest and employee meal revenue, and other miscellaneous revenue items.

**Contributions**

Contributions are donor restricted and released from restriction upon expiration; that is, when a stipulated time restriction ends or a purpose restriction is accomplished. In addition, Management has projected contribution revenue related to the forgiveness of the PPP Loan in the amount of approximately \$1,382,000 and \$167,000 related to the receipt and usage of Provider Relief Funds in 2021.

**Investment Income**

Investment income consists of interest earnings on cash, cash equivalents, investments, and assets limited as to use, as provided by Management. Management has assumed that its cash, cash equivalents, and assets limited as to use would earn investment income of 0.25 percent annually and investments would earn investment income based on a blended 3.5 percent rate annually throughout the Projection Period.

**Net Assets Released from Restrictions**

Net Assets Released from Restrictions is the result of Management's assumed collection on contributions receivable during the Projection Period for both operations and capital improvements.

## Summary of Significant Projection Assumptions and Accounting Policies

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### Management's Basis for Projection of Expenses

#### Operating Expenses

Operating expenses are projected to increase approximately 3 percent annually throughout the periods presented in the projection, except as noted below. Management has projected operating expenses based upon Management's historical operations for the Home and based upon its plan to operate the Project and the estimated effect of inflation.

The specific basis for major expense items were formulated by Management and are discussed below.

#### Salaries, Wages and Employee Benefits

Salaries and wages are projected to increase at a rate of 3 percent per annum for years 2021 through 2025.

Benefit costs include payroll taxes and employee benefits including FICA, unemployment taxes, workers' compensation, health insurance, 401(k) profit sharing plan, incentives and other miscellaneous benefits for the entire facility. These benefit costs are assumed to approximate 24 percent of wages during the Projection Period, based on Management's historical experience. For the Project, Management has assumed modest increases relating to utilities, raw food, supplies, and other costs as well as the addition of staffing, mostly for housekeeping.

#### Health Care

Costs include costs for providing care in the Assisted Living Units and Nursing Beds. Costs, other than those related to labor, would increase approximately 3 percent annually throughout the Projection Period for inflation and changes in occupancy. However, Management has projected certain expense reductions in 2021 with the reduction of the 24 Nursing Beds during construction of the New Health Care Center.

#### Maintenance and Operations

Costs include electricity, water and sewer, gas, cable television, and all activities of maintenance for Sharon Towers. Costs, other than those related to labor, would increase approximately 3 percent annually throughout the Projection Period for inflation and changes in occupancy and the Project.

#### Housekeeping

Costs include housekeeping and laundry costs for Sharon Towers. Costs, other than those related to labor, would increase approximately 3 percent annually throughout the Projection Period for inflation and changes in occupancy and the Project.

#### Dining Services

Costs include raw food and dietary supplies. Costs, other than those related to labor, would increase approximately 3 percent annually throughout the Projection Period for inflation and changes in occupancy and the Project.

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**See accompanying Independent Accountants' Compilation Report**

**Summary of Significant Projection Assumptions and Accounting Policies**

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**Management's Basis for Projection of Expenses (continued)**

**Administration**

Costs include insurance, professional service fees, and other administrative costs. Other costs, excluding those related to labor, are projected to increase at a rate of 3 percent annually throughout the Projection Period for inflation and changes in occupancy and the Project.

**Marketing and Development**

Costs include advertising and purchased services costs for Sharon Towers. Costs, other than those related to labor and the Project, would increase approximately 3 percent annually throughout the Projection Period for inflation and the Project.

**Activities and Social Services**

Costs include those incurred with the operation of the campus activities. Costs, other than those related to labor, would increase approximately 3 percent annually throughout the Projection Period for inflation and changes in occupancy and the Project.

**Interest Expense**

Interest expense is assumed to be related to the debt service requirements and the amortization of the deferred financing costs and existing long-term indebtedness. Management plans to capitalize the Project related interest expense during the construction period of the Project.

**Depreciation**

Property, plant, and equipment are projected to be depreciated over their estimated useful lives using the straight line method.

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**See accompanying Independent Accountants' Compilation Report**

## Summary of Significant Projection Assumptions and Accounting Policies

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### Management's Basis for Projection of Other Items

#### Current Assets and Current Liabilities

##### Cash and Cash Equivalents

Cash balances for the Projection Period are based on the results of the Projected Statements of Cash Flows. For purposes of presentation, cash balances are projected based on historical levels. Over the Projection Period, the cash balances are estimated at approximately 165 days of operating expenses, excluding depreciation and amortization of bond issuance costs, with excess cash being transferred to investments.

##### Accounts Receivable, Net

Accounts Receivable, Net are projected to remain at historical levels throughout the Projection Period at approximately 20 days operating revenues.

##### Prepaid Expenses

Prepaid expenses have been projected based on historical levels at approximately 7 days operating expenses, net of depreciation, amortization and interest.

##### Accounts Payable

Accounts payable have been projected to approximate 75 days of operating expenses, net of depreciation, amortization, and interest during 2021 and 2022, driven by the estimated Project expenditures in accounts payable in 2021 and 2022 and reduced to approximately 15 days operating expenses, net of depreciation, amortization and interest for fiscal years 2023, 2024, and 2024.

##### Accrued Payroll and Related Items

Accrued payroll and related items have been projected based on historical levels at approximately 13 days operating expenses, net of depreciation, amortization and interest.

##### Accrued Interest Payable

Accrued interest has been calculated based on projected interest rates and repayment terms of the long-term debt.

#### Assets Limited as to Use

For purposes of Management's Projection, the following assets limited to use have been projected:

- *Debt Service Reserve Fund* – The Corporation has a debt service reserve fund related to the Series 2019A Bonds.
- *Construction Fund* – Series 2019 Bonds proceeds were deposited into a construction account for construction of the Project. Management has projected fully drawing down on the construction fund in 2022.
- *Capitalized Interest Fund* – funded interest amounts related to the portion of Series 2019 Bonds allocable to the Project.

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See accompanying Independent Accountants' Compilation Report

**Summary of Significant Projection Assumptions and Accounting Policies**

**Management's Basis for Projection of Other Items (continued)**

- *Bond Fund* – represents monthly advance payments of bond principal and interest made by the Corporation to the trustee relating to outstanding Series 2019 Bonds. The funds held in the bond fund will be used by the trustee to make principal and interest payments to owners of the outstanding bonds when due.
- *Statutory Operating Reserve* – North Carolina Statutory Operating Reserve – Section 58-64-33 of the General Statutes of North Carolina, as amended, requires that all continuing care facilities maintain operating reserves equal to 50 percent of the total operating costs (as defined in Section 58-64-33) (or 25 percent of the total operating costs if such facilities maintain an occupancy level in excess of 90 percent and the North Carolina Commissioner of Insurance so approves) for the 12-month period related to the calculation. Such operating reserves may only be released upon approval of the North Carolina Commissioner of Insurance.

The following table sets forth the projected calculation of the operating reserve.

**Table 12**  
**Projected Operating Reserve Calculation**  
**For the Years Ending December 31,**  
**(In Thousands of Dollars)**

	2021	2022	2023	2024	2025
<b>Statutory Operating Reserve Calculation (Expenses in Thousands):</b>					
Total Operating Expenses	\$ 24,030	\$ 30,438	\$ 32,715	\$ 35,357	\$ 36,472
Include:					
Bond Principal Payments	-	18,000	-	-	1,755
Exclude:					
Depreciation	(3,689)	(5,742)	(6,496)	(6,630)	(6,746)
Amortization on Bond Issuance Costs and Bond Premium	188	188	188	188	188
Principal Paid from Entrance Fee Fund	-	(18,000)	-	-	-
Interest Set Aside in Debt Service Reserve Fund	(207)	(3,299)	(3,514)	(3,514)	(3,514)
<b>Total Operating Costs</b>	<b>\$ 20,322</b>	<b>\$ 21,585</b>	<b>\$ 22,893</b>	<b>\$ 25,401</b>	<b>\$ 28,155</b>
Required Reserve	25%	25%	25%	25%	25%
<b>Required Operating Reserve</b>	<b>\$ 5,081</b>	<b>\$ 5,396</b>	<b>\$ 5,723</b>	<b>\$ 6,350</b>	<b>\$ 7,039</b>
<b>Average Available Units at December 31:</b>					
Independent Living Units	214	256	256	256	256
Assisted Living Units	38	38	38	38	38
<b>Total Available Units</b>	<b>252</b>	<b>294</b>	<b>294</b>	<b>294</b>	<b>294</b>
<b>Average Occupied Units at December 31:</b>					
Independent Living Units <sup>(1)</sup>	203	241	241	241	241
Assisted Living Units	35	35	35	35	35
<b>Total Occupied Units</b>	<b>238</b>	<b>276</b>	<b>276</b>	<b>276</b>	<b>276</b>
<b>Average Occupancy at December 31:</b>	<b>94.44%</b>	<b>93.88%</b>	<b>93.88%</b>	<b>93.88%</b>	<b>93.88%</b>

Source: Management

Notes:

- (1) Management has projected the opening of the New Independent Living Units in 2022.

See accompanying Independent Accountants' Compilation Report



**Summary of Significant Projection Assumptions and Accounting Policies**

**Management's Basis for Projection of Other Items (continued)**

**Property and Equipment**

Property and equipment balances, net of accumulated depreciation, were projected based on the estimated costs of constructing the Project and other routine property and equipment additions during the Projection Period, reduced by estimated annual depreciation.

The following table reflects Project-related costs, capitalized interest, and other routine capital additions.

**Table 13**  
**Projected Property and Equipment Additions**  
**For the Years Ending December 31,**  
**(000s Omitted)**

	2021	2022	2023	2024	2025
Routine Capital Additions	\$ 4,272	\$ 4,473	\$ 4,800	\$ 4,850	\$ 4,900
Project costs	45,689	10,831	-	-	-
Capitalized interest, net of interest earnings, during Project construction	3,549	262	-	-	-
<b>Total</b>	<b>\$ 53,510</b>	<b>\$ 15,566</b>	<b>\$ 4,800</b>	<b>\$ 4,850</b>	<b>\$ 4,900</b>

Source: Management

**Table 14**  
**Projected Property and Equipment**  
**For the Years Ending December 31,**  
**(In Thousands of Dollars)**

	2021	2022	2023	2024	2025
Land and Land Improvements	\$ 5,420	\$ 5,420	\$ 5,420	\$ 5,420	\$ 5,420
Buildings	91,098	184,976	189,402	193,874	198,391
Furniture and Equipment	7,245	14,328	14,678	15,032	15,390
Transportation Equipment	448	470	494	518	543
Construction in Progress	86,459	1,042	1,042	1,042	1,042
<b>Total</b>	<b>190,670</b>	<b>206,236</b>	<b>211,036</b>	<b>215,886</b>	<b>220,786</b>
Accumulated Depreciation	45,234	50,976	57,472	64,102	70,848
<b>Property and Equipment, Net</b>	<b>\$ 145,436</b>	<b>\$ 155,260</b>	<b>\$ 153,564</b>	<b>\$ 151,784</b>	<b>\$ 149,938</b>

Source: Management

**See accompanying Independent Accountants' Compilation Report**

**Management's Basis for Projection of Other Items (continued)**

**Long-Term Debt and Interest Expense**

The accompanying projection reflects the following debt:

- The North Carolina Medical Care Commission \$75,940,000 Retirement Facilities First Mortgage Revenue Bonds Series 2019A (Series 2019A Bonds) as well as approximately \$8,055,931 in premium. The proceeds of the Series 2019A bonds are to finance the costs of constructing and equipping a new independent living apartment building, to fund capital improvements to buildings throughout Sharon Towers' campus, to refund the outstanding 2001 Variable Rate Demand Health Care Facilities Revenue Bonds (Series 2001 Bonds), to terminate its interest rate swap agreement that had been placed as a hedge for the Series 2001 Bonds, to fund a debt service reserve fund, to pay a portion of the interest accrued on the Series 2019A Bonds and to pay certain expenses incurred in connection with the issuance of the Series 2019A Bonds. Principal payments on the Series 2019A Bonds begin in July 2025 and extend through July 2049. Beginning in July 2035, Sharon Towers will be required to make payments to a trustee of interest and principal on the Series 2019A Bonds in anticipation of the required payments that will be due over five year increments beginning in July 2039 through final maturity in July 2049. Interest on the Series 2019A Bonds is payable semi-annually with interest rates ranging from 3.0% to 5.0%. At December 31, 2019, the net unamortized premium on the Series 2019A Bonds was approximately \$7,765,000.
- The North Carolina Medical Care Commission \$18,000,000 Retirement Facilities First Mortgage Revenue Bonds Series 2019B (Series 2019B Bonds). The proceeds of the Series 2019B Bonds are to finance the costs of constructing and equipping a new independent living apartment building, to fund capital improvements to buildings throughout Sharon Tower's campus and to pay certain expenses incurred in connection with the issuance of the Series 2019B Bonds. The Series 2019B Bonds are a draw-down loan and all outstanding principal will be due at maturity in December 2024. Interest on the Series 2019B bonds is payable monthly at a variable rate based upon 79% of one-month LIBOR, calculated on the basis of an actual 360-day year, plus 0.59%. The interest rate at December 31, 2019 on the Series 2019B Bonds was approximately 0.7%. The Series 2019B Bonds are held by Truist Bank. As of December 31, 2020, approximately \$135,500 had been drawn down. Management has projected drawing down the remaining \$17,864,500 during 2021.

**Summary of Significant Projection Assumptions and Accounting Policies**

**Management's Basis for Projection of Other Items (continued)**

Projected principal payments on the Sharon Towers' debt are as follows:

**Table 15**  
**Projected Principal Payments on the Home's Debt**  
**(In Thousands of Dollars)**

<b>Fiscal Year Ending December 31,</b>	<b>Series 2019A</b>	<b>Series 2019B</b>	<b>Total</b>
	<b>Bonds</b>	<b>Bonds</b>	
2021	\$ -	\$ -	\$ -
2022	-	18,000	18,000
2023	-	-	-
2024	-	-	-
2025	1,755	-	1,755
2026	1,805	-	1,805
2027	1,860	-	1,860
2028	1,915	-	1,915
2029	1,995	-	1,995
2030	2,075	-	2,075
Thereafter	64,535	-	64,535
<b>Total</b>	<b>\$ 75,940</b>	<b>\$ 18,000</b>	<b>\$ 93,940</b>

Source: Management

**Net Assets with Donor Restrictions**

Net Assets with Donor restrictions includes approximately \$3,032,000 of net assets restricted in perpetuity. Also included in net assets with donor restrictions are net assets that are subject to expenditure for a specific purpose or the passage of time. Management has projected the receipt of an additional \$1,300,000 of restricted net assets for capital purposes in 2021 and the usage of approximately \$4,670,000 of donor restricted net assets for the purchase of capital during the Projection Period.

**Risks and Uncertainties**

During March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Sharon Towers, COVID-19 may impact various parts of its 2021 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Sharon Towers is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of the date of this Projection. However, Management has not projected that its access to labor would be materially adversely impacted by COVID-19.

**See accompanying Independent Accountants' Compilation Report**

EXHIBIT E  
TO  
THE PRESBYTERIAN HOME AT CHARLOTTE, INC.  
(SHARON TOWERS)

CONTINUING CARE DISCLOSURE STATEMENT

RESIDENT'S AGREEMENT

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**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**

**(SHARON TOWERS)**

**RESIDENT'S AGREEMENT**

**2021-2022**

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**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.  
RESIDENT'S AGREEMENT**

This Resident's Agreement ("Agreement") made this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ is between THE PRESBYTERIAN HOME AT CHARLOTTE, INC., a nonprofit corporation, organized and existing under the laws of North Carolina, which operates a continuing care facility at 5100 Sharon Road, Charlotte, North Carolina (The Presbyterian Home at Charlotte, Inc. and the continuing care facility operated by it are referred to herein as "Sharon Towers") and \_\_\_\_\_ (hereinafter referred to, whether this Agreement is executed by one or two individuals, as "Resident", who has applied for and has been approved for admission to Sharon Towers.

This Agreement is provided and shall be interpreted in accordance with the provisions of N.C.G.S. 58-64-25. Subject to the signing of this Agreement, Sharon Towers and Resident, intending to be legally bound, hereby agree to the following terms and conditions:

**I. General Statement Regarding Extent of Continuing Care**

Beginning with the date on which Resident moves in and occupies one of the units at Sharon Towers (the unit provided to Resident is called the "Living Accommodation"), Sharon Towers will provide Resident the Living Accommodation, together with the facilities, services, activities and medical care specified in this Agreement, for and during the balance of Resident's life or for such shorter period as shall apply under this Agreement in the event that it is terminated pursuant to its terms. Subject to the provisions set forth in other paragraphs of the Agreement, Sharon Towers shall provide a way of life for the Resident in good faith, as the facilities and finances of the Home and other circumstances permit.

**II. Resident Agrees to Abide by Rules of Sharon Towers**

The Resident agrees to abide by all rules and regulations established in Resident's handbook and as may be enacted from time to time. The Resident agrees to pay all amounts owed for Resident's living accommodations and care while a Resident of Sharon Towers. It is understood, as herein specified, that Resident will incur additional charges for (i) for prescription and domestic drugs, (ii) optical, dental, medical and surgical supplies and services, (iii) annual physicals and (iv) any medical service beyond that provided by Sharon Towers in the facility.

**III. Entry Fee and Monthly Service Fee**

Entry Fees (also referred to as Entrance Fees) are amortized over a period of 12 months. (See Section X.D.4.) If Resident has selected the Fifty Percent or Ninety Percent Refundable Entry Fee, it is based on the actuarial table in use at the time this Agreement is signed and is made a part of this Agreement. Refunds are calculated from the Date of Occupancy.

In addition to the other amounts paid by the Resident under this Agreement, the Resident will pay each month to Sharon Towers the standard monthly fee, as in effect from time to time based on the type of Living Accommodation, number of persons occupying the Living Accommodation, and meal plan selected (the "Monthly Service Fee"). The Monthly Service Fee

may be increased or decreased at the discretion of Sharon Towers, but no such increase or decrease shall be effective until the Resident shall have received at least thirty (30) days' notice of such change unless such change is required by state or federal law or regulation. Payment of the Monthly Service Fee shall be made within ten (10) days of the monthly due date established by Sharon Towers, currently the fifth day of the month. Payments made after the fifteenth of the month are subject to a late charge as may be determined, from time to time, by Sharon Towers. A processing fee is charged for checks returned for insufficient funds. The obligation to pay the Monthly Service Fee shall commence on the Date of Occupancy or as otherwise provided in the Resident's Agreement. If circumstances warrant any change in the Monthly Service Fee, such change must be approved by Sharon Towers and set forth in an addendum to this Agreement.

**IV. Living Accommodation, and Monthly Fee**

At the Date of Occupancy, Resident's Living Accommodation, Entry Fee, and Monthly Service Fees are as follows:

UNIT TYPE: \_\_\_\_\_

UNIT NUMBER: \_\_\_\_\_

ENTRY FEE SELECTED

Standard Entry Fee: \_\_\_\_\_

50% Refundable Entry Fee: \_\_\_\_\_

90% Refundable Entry Fee: \_\_\_\_\_

ENTRY FEE PAID \_\_\_\_\_

If different from Entry Fee selected above, explain: \_\_\_\_\_

MONTHLY SERVICE FEE: \_\_\_\_\_

DATE OF OCCUPANCY: \_\_\_\_\_

If no unit number or other locational specification is given above, then a Living Accommodation of the type set forth above shall be deemed the Living Accommodation for the purpose of this Agreement.

**V. Living Accommodations Provided to the Resident by Sharon Towers**

**A. Living Unit**

On the date of Availability, the Resident has the right to occupy and use, in accordance with this Agreement, the Living Accommodation set forth above, subject to change as hereinafter provided.

**B. Furnishings**

Sharon Towers will furnish wall-to-wall carpet, blinds, and toilet and bath fixtures, except that window treatments are not provided for the cottages, Villas and Terrace Apartments. These furnishings, even if upgraded at the Resident's cost, shall remain the property of Sharon Towers. Modification to the Living Accommodations must be approved in writing in advance by the President/CEO and they remain the property of Sharon Towers. All other furnishings shall be furnished by the Resident subject to the approval of Sharon Towers, and shall remain the Resident's personal property, except as set forth in parts VI.F., VI.H. and VI.I. below.

**C. Common Facilities; Smoking and Drinking Policies**

Subject to availability, the Resident may use, in common with all the other Residents, the dining facilities, lobby or lobbies, auditorium, lounges, patios, library, social and recreational rooms, and other common facilities furnished by Sharon Towers. The Resident shall not store personal belongings in the common facilities. Residents and guests shall refrain from drinking alcoholic beverages in all common facilities, except when reserved for private use. Smoking is not permitted anywhere on campus including private residences.

**VI. Services Provided to the Resident by Sharon Towers and the Resident's Duties**

**A. Utilities**

Sharon Towers will furnish water, light, heat, electricity, and air conditioning. Nothing in this Agreement shall prohibit Sharon Towers from passing along these and other operating expenses to the Resident via the scheduled standard Monthly Service Fee.

**B. Telephone, Cable, WiFi**

Sharon Towers currently provides one telephone per Living Accommodation. The services of the main Sharon Towers' switchboard and local telephone service are provided for all Residents of Sharon Towers. Residents furnish additional telephone instruments. Any additional expenses, including amplifiers, long distance calls, directory assistance, extra connections, and private lines, are the responsibility of the Resident. Sharon Towers reserves the right to discontinue maintenance of a central switchboard and to discontinue providing local telephone service through the switchboard.



Hookup for basic cable service is provided at no charge. Additional cable services, if available, are the responsibility of the Resident. Sharon Towers reserves the right to discontinue providing cable service.

Wireless internet access is provided at no charge. Sharon Towers reserves the right to discontinue providing this service.

**C. Housekeeping; Linens**

The Resident shall maintain the Living Accommodation in a clean, sanitary and orderly condition, and perform all usual light housekeeping tasks in connection therewith. Sharon Towers shall make available standard-sized bed linens, towels, and toilet tissue once per week as needed and shall provide housekeeping service in the Living Accommodation according to the schedule in effect from time to time. Residents are responsible for the cost of their personal laundry and dry-cleaning, except as otherwise provided in Sharon Towers Adult Care Facility, referred to herein as "Assisted Living Unit" and "Health Care Center."

**D. Maintenance and Repairs**

Repairs, maintenance and replacement of property and equipment owned by Sharon Towers will be performed and provided at such times as deemed necessary and appropriate by Sharon Towers. Repairs, maintenance, and replacement of property such as light bulbs will be the responsibility of the Resident.

**E. Accommodations with Appliances**

In accommodations with appliances, these appliances are provided and maintained by Sharon Towers. If a Resident brings his/her own appliances, Resident is responsible for their upkeep and any cost incurred due to damage caused by the malfunction of the appliance.

**F. Structural Changes**

All structural or physical changes of any kind within or about the Living Accommodation (including blinds, window treatments, light fixtures, bathroom fixtures, appliances, shelves, framework, awnings, etc.) may be made by the Resident only after written approval by Sharon Towers and thereafter shall be subject to its supervision. The cost of any such change requested by the Resident shall be borne by the Resident, and all such changes shall immediately become and remain the permanent property of Sharon Towers unless otherwise agreed to in writing. If modifications or structural changes would render the residence unmarketable, Resident, or his or her estate, agrees to pay to have the unit restored to a standard marketable condition on termination of this Agreement.

**G. Laundry**

Automatic washers and dryers for personal laundry are located within Sharon Towers on each residential floor or within the Living Accommodation. Residents must furnish their own detergents, bleaches, etc. See part VI.C. above with regard to bed and bath linens.

## **H. Redecoration**

Redecoration of the Living Accommodation, in addition to or other than that regularly provided by Sharon Towers, must be approved by Sharon Towers, in writing, in advance and will be at the Resident's expense. The Resident's choices may not render the residence unmarketable upon termination of this Agreement. Any change or replacement by the Resident with respect to either the Living Accommodation or any furnishings provided by Sharon Towers becomes the property of Sharon Towers unless otherwise provided by Sharon Towers in writing. If Resident selects an accommodation with upgrades provided by a former Resident, it is understood that Sharon Towers is not responsible for replacing those upgrades but will replace them with the standard furnishings. Sharon Towers will allow Resident to replace the upgraded furnishings at Resident's expense.

## **I. Grounds**

Sharon Towers will furnish basic grounds care including lawn service. The Residents of detached cottages at their own expense may plant and maintain the area immediately adjacent to their Living Accommodations, subject to the prior written approval of Sharon Towers. All plants, trees and shrubs so planted shall immediately become and remain the permanent property of Sharon Towers, and Sharon Towers reserves the right to move or remove landscaping material as necessary.

## **J. Food and Meals**

### **1. Meal Plans**

Sharon Towers shall make available to the Resident three (3) meals a day, with the exception of Sunday evening meal, in the dining room. The number of meals per day included in the Monthly Service Fee is three for residents of Sharon Towers Adult Care Facility, referred to herein as "Assisted Living Unit" or "Azalea West" or the Sharon Towers nursing facility, referred to herein as the "Health Care Center." The meals will be nutritionally well-balanced and properly cooked. Reasonable special dietary needs will be accommodated if possible. Sharon Towers requires Independent Residents, defined as all Residents not living in the Health Care Center or the Assisted Living Unit, to participate in a flexible dollar meal plan which provides each Resident with a pre-set cash balance each quarter to purchase meals, snacks, convenience items, a la carte meals and guest meals. The flexible dollar plan does not apply to the purchase of alcohol or catering. The cash balance may be used at any time during the quarter, but **may not** be carried over from one quarter to another. Any purchases over the pre-set cash balance in the quarter, unless paid for in cash, will be charged to the Resident's account and billed the following month. The quarterly meal plan will be billed in advance in three equal monthly payments.

Meal plans are subject to change from time to time and will be published to those participating. In addition, Sharon Towers will make available in accordance with its scheduling policies, a private dining room for family gatherings or other special occasions of the Resident. See part VI.J.3.

## **2. Guest Use of Dining Room**

Meal service in the dining room and in Sharon Towers' private dining rooms is available to Residents of Sharon Towers and their guests who make prior reservations in accordance with the scheduling policies of Sharon Towers then in effect. Guest charges will be deducted from Resident's prepaid meal credit, if applicable, or will otherwise be billed separately. The Residents or their guests always have the option of paying cash for guest meals.

## **3. Guest Meal, Special Menu and Private Dining Room Charges**

Charges for guest meals and private dining room service will be made according to the currently established rates set by Sharon Towers, which may be modified from time to time. If in connection with the use of a private dining room the Resident desires menu items different from those offered at the corresponding meal in Sharon Towers' main dining room, the Resident is expected to order the special menu items in advance, and Sharon Towers will endeavor to provide them, although Sharon Towers cannot guarantee that the special items can be provided. In the event Sharon Towers does provide the requested special menu items, an additional charge shall be made.

### **K. Library**

A library is available for use by the Residents.

**L. Storage:** Each independent unit in the East and West Towers is provided one storage bin in the Sharon Towers storage area based on availability. Cottages and terrace apartments provide storage within the residence. Magnolia Villa Residents are provided one "unconditioned" storage space located in the underbuilding parking area. Assisted Living and Health Care Residents are provided storage for hanging garments.

### **M. Prescriptions; Home Care Medications; Medical Transportation; Emergencies**

The "Health Care Center," and Sharon Towers "Assisted Living Unit," will order prescriptions and refills from one or more local pharmacies with which Sharon Towers maintains a contract relationship. If the Resident uses this service, the cost of prescriptions shall be billed to the Resident.

Sharon Towers shall arrange transportation to and from medical appointments in the Charlotte, North Carolina area via Sharon Towers' transportation or another transportation service. Reservations should be made in advance according to the transportation schedule then in effect. Sharon Towers charges a fee for transportation to and from medical appointments, which fee may vary depending upon the time of day and which fee may be changed from time to time at the discretion of Sharon Towers. Cost of other transportation service or emergency medical transportation will be charged to the Resident.

Sharon Towers follows established procedures in the case of medical emergencies. The Resident is responsible for familiarizing himself/herself with the established procedures prior to needing emergency care.

**N. Guest Privileges; Guest Rooms**

Residents may have guests visit their Living Accommodations for no charge, provided such visits are of reasonable duration. Children must be closely supervised.

Sharon Towers currently has a guest room available for use by Residents' guests. Reservations must be made in advance through the switchboard on a first-come, first-served basis. The Resident shall be charged for use of guest rooms at the scheduled daily guest room rate established by Sharon Towers from time to time.

**O. Parking**

Each Independent Living Accommodation includes use of one assigned parking space. For Residents of the North Terrace, South Terrace and Magnolia Villa apartments, this space is covered. A second parking space (uncovered) may be assigned for a second car. A limited number of covered parking spaces are available at an additional charge for Residents and are made available on a first-come, first-served basis. Residents cannot sublet parking for space unused. When a Resident no longer drives, Sharon Towers reserves the right to require the Resident to have any vehicles removed from the premises.

**P. Additional Services for a Charge**

Sharon Towers provides a convenience store for the sale of gift items, toiletries, greeting cards, and prescription service. The Dining Department provides for the sale of convenience grocery store items. A beauty shop for use by Residents is available for a separate charge. A barber is available as scheduled and for a separate charge. Chore services are available to assist Residents, according to the current fee schedule. Concierge services are available for an additional charge for Residents living in the area designated as the West Suite, currently Fourth Floor West. Sharon Towers reserves the right to discontinue any of these services.

**VII. General Medical and Nursing Care**

**A. Health Care Center:** Sharon Towers currently provides a 96-bed Nursing Facility for the use of its Residents, which Sharon Towers calls its Health Care Center. Admission to the Health Care Center is only upon physician's orders. The Health Care Center equals or exceeds the staffing requirements for nursing facilities under North Carolina law. Sharon Towers currently has 19 Medicare certified skilled nursing beds available for short term rehabilitation.

If the Resident requires temporary or permanent nursing care as determined by the Resident's physician or Sharon Towers' Medical Director, the Resident shall be admitted to the Health Care Center upon order of the physician. Upon admission to the Health Care Center, the Resident shall be, if applicable, responsible for an Entry Fee, Monthly Service Fee, the Health Care Center daily rate, (see Section VII.F.) and for all other costs incurred for services of all

physicians, equipment, medical supplies, private duty personal nurses, and prescribed medicines. Sharon Towers shall furnish dietary services, nursing care and private-room accommodations with semi-private toilet rooms in the Sharon Towers' Health Care Center, the Home's licensed nursing facility; provided, however, Sharon Towers reserves the right to offer semi-private room accommodations if its nursing facility would otherwise be full.

**B. Domiciliary Care/Home for the Aged Facility:** Sharon Towers provides a Domiciliary Care/Adult Care Facility, which Sharon Towers calls Azalea West Assisted Living Unit (referred to herein as the "Assisted Living Unit" or "Azalea West"). Admission to the Assisted Living Unit is upon a physician's order. The Assisted Living Unit equals or exceeds the staffing requirements for Domiciliary Care Units under North Carolina law. A licensed nurse is available for duties requiring a licensed nurse. The Entry Fee and the Monthly Service Fee for the Assisted Living Unit are shown on the current schedule of fees.

**C. Home Care Services:** If approved by the Resident's physician, Sharon Towers can provide certain types of care for Residents in their Living Accommodation. This care is coordinated through the Wellness Clinic, and charges are at the current published rates. Daily medications may be administered according to a regular schedule in the Wellness Clinic to Residents requiring medication supervision. This service is provided as one of the Home Care services for which there is an additional charge. Sharon Towers' Home Care is not Medicare certified. Companion services are available at an additional charge.

**D. Personal Assistants:** Personal assistants and companions, along with companies providing personal assistants and companions, must be disclosed and approved by Sharon Towers before they are allowed access to Sharon Towers' facilities. Sharon Towers may limit, terminate the services, or refuse access to its grounds or facilities by such companies or assistants. All assistants must satisfy Sharon Towers Pre-Employment Standards, including but not limited to a satisfactory criminal record check, and drug screening. The Resident is responsible for any injury to others or damage to the property of others or Sharon Towers by the Resident's assistant.

**E. Medical and Surgical Insurance to Be Maintained by the Resident Upon Request of Sharon Towers:** Resident agrees to apply for any federal, state, or local grant, aid or benefits for which he/she may be eligible or entitled, and shall apply all such grants, aid, or benefits toward the cost of Resident's care at Sharon Towers, provided, however, that the Resident's obligation to obtain this coverage shall at all times be consistent with North Carolina law.

Resident shall, if eligible and not already enrolled:

1. Apply for and secure participation in Medicare Part A and Part B, or a program equivalent in benefits, provided, however, that Resident's obligation to obtain this coverage shall at all times be consistent with North Carolina law.

2. Apply for and secure coverage of a Medicare supplemental insurance policy acceptable to Sharon Towers. Resident further agrees to file all claims necessary to obtain coverage under Medicare Parts A and B and Resident's Medicare supplemental insurance.

3. Authorize as necessary any provider of hospital, medical, or health services to receive reimbursement as provided under Medicare Parts A and B and by Medicare supplemental insurance. Resident shall make assignment to the provider, as necessary, of all benefits accruing to the Resident under these insurance plans.

4. Provide Sharon Towers with the name and the plan and policy numbers of all medical coverage insurance.

If Resident fails to obtain, maintain, and file claims for such insurance, Sharon Towers is hereby assigned that right to do so on behalf of the Resident. Sharon Towers reserves the right to terminate this Agreement, if, in Sharon Towers' sole discretion, Sharon Towers determines that failure to carry such insurance could result in Resident's inability to pay the Monthly Service Fee and other charges under this Agreement should Resident incur significant hospital or medical expenses.

The Resident shall pay from his or her own funds the deductible, Daily Rate, and any other charges for hospital, medical, or other health care costs incurred by Resident and not covered by Medicare or Medicare supplemental insurance. Sharon Towers currently has 19 Medicare certified beds. The Health Care Center is not currently certified for Medicaid payments.

It is understood and agreed that Sharon Towers is in no way responsible to pay charges for such services, but may--to the extent that the Resident's resources are inadequate to do so, from time to time in its charitable functions and in the absolute discretion of its Board of Directors and CEO--assist the Resident to pay such charges.

**F. Daily Charge for Use of Health Care Center, Ninety Day Health Care Center Rule**

**1. Temporary Stay in Health Care Center**

When the Resident moves temporarily from a regular Living Accommodation to the Sharon Towers Health Care Center, the Resident shall continue to pay the Monthly Service Fee and the meal plan fee as provided in part VIII.A. below. In addition, the Resident shall pay a daily charge for each day or portion thereof that the Resident is in the Health Care Center (such charge is referred to herein as the "Health Care Center Daily Rate"). Sharon Towers may increase the Health Care Center Daily Rate, which increase shall be applicable to the Resident. Sharon Towers will not increase the Health Care Center Daily Rate, however, without thirty (30) days prior notice.

**2. Ninety-Day Rule for Health Care Temporary Stays**

If a Resident has been a patient in the Health Care Center for 90 days, but it has not been determined by Sharon Towers' medical director or the Resident's personal physician that the Resident will be unable physically or mentally to reoccupy his/her Living Accommodation for the reasonably foreseeable future such that pursuant to part XI.D below Sharon Towers can make the Resident's Living Accommodation available to others, then the Resident shall pay the

actual cost of care for Health Care Center Residents, in-addition to the Monthly Service Fee for the Resident's Living Accommodation.

### **3. Permanent Rate for Health Care Center**

Upon the Resident's physician's determination that it is unlikely that the Resident will be able to reoccupy his/her Living Accommodation, the Resident shall promptly vacate the apartment or cottage within 14 days, allowing Sharon Towers to make it available to others. The Resident will be charged one-half the room rate during the two-week period the accommodation remains uncleared. If the Resident fails to remove his/her belongings from the accommodation within two weeks, he/she will be charged the full room rate from the 15th day until the room is cleared. Once the Resident's physician has declared the Resident permanent in the Health Care Center, the Resident shall pay the Monthly Service Fee for Health Care as shown on the current schedule of fees in addition to any charges due for the Resident's Living Accommodation under this section.

If it is subsequently determined by Sharon Towers' medical director and the Resident's personal physician that the Resident is able to return to an independent Living Accommodation, Sharon Towers shall make available to the Resident a Living Accommodation of the same type as previously occupied.

### **G. Transfer to Hospital or Other Facility**

The Resident's attending physician or Sharon Towers' medical director shall have the right to transfer the Resident to whatever hospital or other facility he/she deems best, and, if he/she determines it to be advisable, may place the Resident in the Sharon Towers' Health Care Center upon the Resident's return from the hospital or other facility, to receive nursing care as provided in this Agreement. Sharon Towers guarantees to provide a nursing bed in its Health Care Center, or, if a nursing bed in the Health Care Center is unavailable, or if a nursing bed is not available within Sharon Towers, a nursing bed of comparable quality in another nursing facility. Sharon Towers cannot guarantee the availability of hospital space. The cost of ambulance and hospital costs shall be paid by the Resident. In no event shall Sharon Towers be responsible for any charges incurred by the Resident at any hospital or other facility (unless Sharon Towers has placed the Resident in another nursing facility because a nursing bed is not available at Sharon Towers).

### **H. Illness or Accident Away from Sharon Towers**

If the Resident suffers an accident or illness while away from Sharon Towers, Sharon Towers will have no responsibility to pay for the Resident's medical, surgical, hospital or nursing care incurred or resulting therefrom; however, after the Resident returns to Sharon Towers, Sharon Towers shall assume its responsibility to provide those services as specified in this Agreement that are deemed necessary by the Resident's attending physician or Sharon Towers' medical director.

### **I. Accident or Illness Caused by Others, Power of Attorney**

The Resident shall appoint in writing, by a Power of Attorney, a person of the Resident's choosing to act in the Resident's behalf as attorney-in-fact to recover claims for

reimbursement from accidents, injuries or other damages incurred by the Resident caused by a third party and shall promptly provide this information to Sharon Towers in writing. If the Resident shall fail to designate an attorney-in-fact, Sharon Towers, in such event, may sue on and enforce any cause of action of the Resident for such accidents, injuries, or other damages so resulting in the name of the Resident, or in the name of Sharon Towers (The Presbyterian Home at Charlotte, Inc.).

If the Resident's appointed attorney-in-fact fails to act for any reason, the Resident hereby nominates and appoints Sharon Towers (The Presbyterian Home at Charlotte, Inc.) as the Resident's attorney-in-fact, enabling Sharon Towers to undertake such suit or seek reimbursement. Resident thereby grants to Sharon Towers the power and authority to seek, sue for, institute any legal action or proceeding for, settle, compromise, and give releases for all such claims or causes of action, or to do any other act in connection therewith and to appoint an agent or agents to exercise the powers herein conferred upon Resident's attorney-in-fact; hereby ratifying and confirming all action taken by Sharon Towers in furtherance of this Power of Attorney. This Power of Attorney is granted to Sharon Towers pursuant to Article 2 of the North Carolina General Statutes, Chapter 32C, and this Power of Attorney shall not be affected by the Resident's subsequent incapacity or mental incompetence, either physically or mentally, and this Power of Attorney shall remain in full force and effect until the same shall be duly revoked by the Resident, or otherwise revoked as provided in the General Statutes of North Carolina. All costs and expenses reasonably incurred by Sharon Towers (including, but not limited to the fees and expenses of any attorney retained by Sharon Towers to pursue such claim) shall be paid and/or reimbursed to Sharon Towers, either from settlement, judgment, or otherwise, and the balance of any collection made on behalf of the Resident shall be paid to the Resident's account or, in the event of the death of the Resident, will be paid to the Resident's estate, or to the appropriate person or entity entitled thereto.

Resident(s) shall be required to provide a notarized statement certifying acceptance of above provisions and appointing Sharon Towers as the Resident's attorney-in-fact by execution of the document attached hereto as Addendum 2.

**J. Mental Illness; Dangerous Disease; Addiction or Dependency on Drugs or Alcohol**

Sharon Towers is not designed to care for persons who are afflicted with psychosis or contagious or dangerous disease or who abuse drugs or alcohol. If Sharon Towers' medical director and CEO together determine that the Resident's continued presence at Sharon Towers is either dangerous or detrimental to the health or peace of the Resident or other Residents or staff persons as a result of the Resident's mental illness, dangerous disease, or alcohol or other substance abuse, then Sharon Towers may transfer the Resident to an institution of Sharon Towers' choosing. The full cost for such special institutional care is the responsibility of the Resident.

**K. Transfer to Alternate Accommodation by Sharon Towers**

Notwithstanding anything to the contrary herein, the Resident acknowledges and agrees that Sharon Towers expressly reserves the right to move the Resident to an alternate accommodation that can best provide for the Resident's safety and care. If the Resident's physical



or mental condition deteriorates so that, upon Sharon Towers' determination in its sole discretion and upon the recommendation of the Resident's physician and/or Sharon Tower's medical director, the Resident is unable to live independently or the Resident cannot live in his or her Living Accommodation without endangering the Resident's self or the health or safety of others, Sharon Towers may move the Resident to a more appropriate accommodation, such as an Assisted Living Unit or the Health Care Center. Such changes (if not at the Resident's request) shall be made only to protect the Resident's health or safety, or the general welfare of the residents of Sharon Towers or others.

The Resident may request a meeting with Sharon Towers for the discussion and consideration of any actions recommended or taken by Sharon Towers. If the Resident requests that Sharon Towers not move the Resident to an alternative accommodation and Sharon Towers and Sharon Tower's medical director determine, in their sole discretion, that additional home care services would be appropriate to meet the Resident's needs, the Resident agrees to arrange for sufficient services to provide appropriate care and safety in the Resident's home. The full cost for such additional home care is the sole responsibility of the Resident. The Resident agrees that Sharon Towers is not liable for any harm to the Resident or others or damage to property as a result of (i) the Resident's choice to remain in his or her Living Accommodation and (iii) any acts omissions by such additional home care staff.

Should the Resident fail or refuse to cooperate with any such move, Sharon Towers has the right to terminate this Agreement and require Resident to vacate the Living Accommodation. If in the sole discretion of Sharon Towers, it determines that the Resident's transfer to alternate accommodations within Sharon Towers is permanent, Sharon Towers may assign the Resident's Living Accommodation to another resident in accordance with this Agreement.

### **VIII. Monthly Service Fee and Application of Entry Fee Upon Certain Changes in Living Accommodation Arrangements**

#### **A. Moves to and from Health Care Center**

When a Resident moves temporarily from a regular Living Accommodation to the Health Care Center or from the Health Care Center to a regular Living Accommodation, the Resident's Monthly Service Fee, the meal plan fee, and the Monthly Service Fee of any other person in the Resident's Living Accommodation shall not be affected, except that residents in the Health Care Center must pay the Health Care Center Daily Rate as provided in part VII., in addition to the Monthly Service Fee. However, if a Resident moves to the Health Care Center on a permanent basis as provided in part VII.F. above, the Resident's Monthly Service Fee shall be the Health Care Center Monthly Service Fee shown on the current schedule of fees. Further, if one of two Initial Joint Residents moves to the Health Care Center on a permanent basis as provided in part VII.F., the Monthly Service Fee of the Resident remaining in the Living Accommodation shall be the single person rate applicable to the Living Accommodation. Moves to or from the Health Care Center shall not affect the allocation of the Entry Fee between the Residents who occupy a single Living Accommodation. If a Resident initially enters the Assisted Living Unit paying the semi-private Entry Fee and within 90 days moves permanently to the Health Care Center, the difference between the semi-private and the studio Assisted Living Entrance Fee shall be due. If a Resident entered paying the Health Care Center Entrance Fee and within the first 90 days moves

permanently to Assisted Living, Resident shall owe only the Assisted Living Entrance Fee and Resident shall receive a credit for the Health Care Center Entrance Fee previously paid.

## **B. Moves to Other Living Accommodations**

### **1. Move to Larger Living Accommodations**

As provided in part VIII.D. below, unless otherwise agreed and set forth in the attached Addendum 1 entitled "Special Provisions," the Resident shall have no right to move from one Living Accommodation to another. Nevertheless, if the Resident, after obtaining the prior written consent of Sharon Towers which shall be determined by Sharon Towers in its sole discretion, does move at his/her request from one regular Living Accommodation to another, the Entry Fee for which is, at the time of the move, greater than the Entry Fee paid by the Resident, then at the time of the move the Resident shall pay the difference between the Entry Fee paid and the current Entry Fee for the larger accommodation, based on the Entry Fee schedule in existence at the time of the move. The Resident should also pay any fees provided in part VIII.D. In addition, the Resident shall pay the Monthly Service Fee applicable to the new Living Accommodation based on the number of occupants as of the day the Resident occupies the new Living Accommodation. The Resident is required to move to the new Living Accommodation within two weeks of its being ready for occupancy. In any move the Resident shall promptly vacate the former apartment or cottage within said two week period, allowing Sharon Towers to make it available to others. The Resident will be charged one-half the room rate during the two week period the accommodation remains uncleared. If the Resident fails to remove his/her belongings from the accommodation within said two week period, he/she will be charged the full room rate from the 15<sup>th</sup> day until the room is cleared.

### **2. Move to Smaller Living Accommodations**

In the event the Resident, after obtaining the prior written consent of Sharon Towers which shall be determined by Sharon Towers in its sole discretion, moves at his/her request from one regular Living Accommodation to another, the Entry Fee for which is, at the time of the move, less than the Entry Fee paid by the Resident, the Resident shall not be entitled to any refund or abatement of the Entry Fee as a result of the move. The Resident shall pay any fees provided in part VIII.D. and the Resident shall pay the Monthly Service Fee applicable to the new Living Accommodation based on the number of occupants as of the day the Resident occupies the new Living Accommodation. The Resident is required to move to the new living accommodation within two weeks of its being ready for occupancy. In any move the Resident shall promptly vacate the former apartment or cottage within said two week period, allowing Sharon Towers to make it available to others. The Resident will be charged one-half the room rate during the two week period the accommodation remains uncleared. If the Resident fails to remove his/her belongings from the accommodation within said two week period, he/she will be charged the full room rate from the 15<sup>th</sup> day until the room is cleared.

### **3. Initial Joint Residents**

If two Residents jointly occupy one Living Accommodation when they both initially move to Sharon Towers, then they shall pay one Entry Fee based upon the type of Living

Accommodation to be occupied (such persons are hereinafter referred to as “Initial Joint Residents”). The Entry Fee in the case of Initial Joint Residents shall be deemed paid by them in equal shares. This provision shall apply in the case Initial Joint Residents are divorced or no longer wish to live together, regardless of the actual source of the funds used to pay the Entry Fee. Upon the death of an Initial Joint Resident, that portion of the Entry Fee deemed paid by the deceased Initial Joint Resident shall be deemed to have been paid by the surviving Initial Joint Resident, therefore, no refund of the Entry Fee shall be due except as described in part X below.

If one Initial Joint Resident moves to a different Living Accommodation, the moving Initial Joint Resident and the Initial Joint Resident remaining in the Living Accommodation may be subject to the payment of additional Entry Fees based upon the equal proration of the Entry Fee under this part VIII.B.3. and rules (see Parts VIII.B.1 and 2. above) related to changes in type of Living Accommodations.

### **C. Changes in Type of Living Accommodation**

#### **1. Marriage of One Resident to Another Resident**

If one Resident marries another Resident and they desire to occupy the same Living Accommodation the following rules shall apply:

(a) If the married Residents desire to occupy a Living Accommodation currently occupied by one of them, no additional Entry Fee shall be due. Upon the subsequent death of either one of the Residents, it will not be necessary for the survivor to move from the Living Accommodation. The monthly fee will become the current single person fee for a unit of that size. The single Monthly Service Fee may be adjusted from time to time according to the size of the accommodations.

(b) If the married Residents desire to move to a type of Living Accommodation not previously occupied by one of them, no additional Entry Fee will be due from either of them, if the Entry Fee deemed paid by each of them individually (excluding any amount attributable to a deceased Initial Joint Resident) equals or exceeds the then-applicable Entry Fee with respect to such Living Accommodation. If the combined Entry Fee, including amounts attributable to a deceased Initial Joint Resident, exceeds the then-current Entry Fee for the new unit, no refund shall be made (See Section VIII.B.3 above.)

#### **2. Marriage of a Resident to a Nonresident**

If a Resident marries a nonresident, the nonresident shall not reside at Sharon Towers unless such person satisfies the then-existing admissions criteria of Sharon Towers and until such person has been admitted through the normal application, admissions and orientation policies and procedures. After having qualified for admission, it is the policy to place such person at or near the top of the Future Residency Program List for occupancy. In the event such person is admitted to Sharon Towers, such person shall pay the standard Entry Fee then applicable for a single room. Once the person is admitted and has paid the applicable Entry Fee plus the current Second Person Entry Fee, as shown in the schedule of fees, and is permitted to occupy the spouse's

Living Accommodation or another available residence, such person shall be treated as a Resident who marries another Resident, and part VIII.C.1. shall apply.

**D. No Right That Resident Move to Another Living Accommodation; Other Cases**

Notwithstanding any provision in this Agreement, unless otherwise specifically agreed and set forth in writing in an addendum attached hereto, the Resident shall have no right to move from one Living Accommodation to another. Moreover, upon execution of this Agreement and payment of the Entry Fee, and unless health declines, the Resident shall be entitled to occupy that type of Living Accommodation described in part IV. above for the remainder of his/her life, as long as his/her health permits, unless expressly provided otherwise in this Agreement. Sharon Towers reserves the right in its discretion to require the Resident to move from one Living Accommodation to another of the same type, the costs of which move shall be paid by Sharon Towers. If Sharon Towers initiates any such move, the Resident's Monthly Service Fee shall not be increased as a result of the move and the Resident shall not be required to pay any incremental Entry Fee.

Except for any move approved by Sharon Towers to accommodate a Resident's financial difficulty, a Resident requesting a move from one Living Accommodation to another which is approved by Sharon Towers shall pay to Sharon Towers the then current transfer fee plus any expenses incurred by Sharon Towers with respect to said move.

This part VIII. is not an attempt to provide a comprehensive solution for every situation that may arise with respect to the Living Accommodation. Sharon Towers shall evaluate each special situation on a case-by-case basis and work with the Resident to provide an appropriate solution consistent with sound financial and management practices.

**IX. Sharon Towers' Policy Concerning Financial Difficulty**

It is the policy of Sharon Towers that this Agreement shall not be terminated solely because of the Resident's financial inability to continue to pay all or part of the Monthly Service Fee or Health Care Center Daily Rate. Nevertheless, the Resident's acceptance into Sharon Towers has been based on the accuracy of the Resident's financial statements as updated prior to admission, and Sharon Towers may request Residents to file annually a financial statement with the management of Sharon Towers. The Resident agrees not to divest or deplete his or her assets through gifts or other voluntary means to the extent that it might jeopardize his or her ability to pay for the cost of care at Sharon Towers.

If the Resident has misrepresented information on a financial statement or has diminished his/her ability (or the ability of his/her personal estate) to satisfy financial obligations under this Agreement, by the making of gifts of real or personal property or entering into financial transactions in bad faith, or for reasons other than financial gain, AFTER submitting or supplementing the financial statement and AFTER acceptance into Sharon Towers, Sharon Towers reserves the right to terminate this Agreement, if as a result of such gifts or financial transactions the Resident is unable to pay and in fact does not pay the Monthly Service Fee or Health Care Center Daily Rate when due.

If the Resident accurately reported his/her financial condition and, with prudence, seeks to maintain his/her financial resources in order to fulfill in good faith the financial obligation assumed, it is the intention of Sharon Towers to provide the Resident with continuing care in accordance with the terms of this Agreement. Regardless of this policy and intention, however, the following provisions must apply:

**A. Failure to Make Payments, Collection and Guarantee Agreement**

If the Resident fails to pay the Monthly Service Fee, or to pay any other legitimate amounts shown on the monthly statement within thirty (30) days after the due date, then Sharon Towers may give written notice to the Resident to pay all such amounts. If the Resident fails to comply with such notice within thirty (30) days after the notice, Sharon Towers may terminate this Agreement, and shall provide Resident with the refund, if any, set forth in part X. hereof.

(a) If the Resident fails to pay any and all financial obligations incurred during the period of residency within 30 days after notification of such charges, then Sharon Towers reserves the right to pursue all legal remedies for collection of these charges. Resident acknowledges and agrees that he/she shall be obligated to reimburse Sharon Towers for all costs associated with collection of any charges or fees due pursuant to this Agreement, including the cost of reasonable attorney's fees incurred by Sharon Towers as allowed by North Carolina law.

(b) It is understood by the Resident that if a Guarantor is provided by the Resident as an incentive for Sharon Towers to favorably consider the application of the Resident, then the Resident and the Guarantor shall become liable for these charges, attorneys' fees and cost of collection.

(c) A copy of any applicable Guarantee Agreement is attached to this Resident Agreement and incorporated herein by specific reference.

**B. Special Consideration**

Without in any way qualifying the right of Sharon Towers to terminate this Agreement, it is Sharon Towers' policy that, if the sole reason for nonpayment is insufficient funds, beyond the control of the Resident, the matter will be reviewed by Sharon Towers with the Resident. If the Resident presents facts which justify special financial consideration, Sharon Towers may, solely at its discretion, partly subsidize Resident's Monthly Service Fee or Health Care Center Daily Rate. All determinations made by Sharon Towers concerning the granting or continuance of special financial consideration shall be at the sole discretion of Sharon Towers and shall be final, but shall be made in good faith. Any such determination made by Sharon Towers shall be regarded as a confidential transaction between Sharon Towers and the Resident, except for reports required by regulatory or other government bodies.

**C. Reduction of Income**

The Resident warrants that his/her sources of income are adequate to meet his/her financial responsibility to Sharon Towers and to meet and pay any additional costs of Resident,

and to pay personal and incidental expenses during the period of residency. If the Resident's sources of income do not meet these requirements, the Resident will make every reasonable effort to obtain assistance from his/her family or other available means, to the extent that the Resident is eligible to receive such assistance. The Resident agrees that he/she will apply for and diligently seek such benefits.

## **X. Termination of Resident's Agreement and Refunds of Entry Fee and Other Amounts**

### **A. Termination by Resident Within Thirty (30) Days of Executing This Agreement**

Should Resident change his/her mind, Resident may rescind this Agreement within 30 days following the later of execution of this Agreement or receipt of a Disclosure Statement. In such event, the portion of the Entrance Fee paid to that date will be refunded to Resident within 30 days following such rescission, without interest less: (a) the amount of the application fee (to the extent the application fee does not exceed \$1,000), (b) the cost of the medical examination or other costs incurred by Resident, and (c) a reasonable service charge not to exceed the greater of one thousand (\$1,000) or two percent (2%) of the Entrance Fee. The Resident shall also not be entitled to have any nonstandard costs to modify the Living Accommodation (paid by the Resident) returned to the Resident. However, should Resident occupy the Living Unit during the rescission period, Sharon Towers shall have 60 days following rescission to refund any money or property transferred to Sharon Towers without interest, and Sharon Towers will also retain those periodic charges (including Monthly Service Fees) set forth in this Agreement which are applicable to the period Resident actually occupied the Living Unit. Sharon Towers cannot require Resident to move into Sharon Towers prior to the expiration of the 30 day right of rescission period.

### **B. Death, Illness, Injury, Incapacity Before Occupying a Living Accommodation**

If the Resident dies before initially occupying a Living Accommodation at Sharon Towers or if on account of the Resident's illness, injury, incapacity, or for any other reason, under the terms of the Resident's Agreement, this Resident's Agreement shall be canceled, the Resident or his/her "Designated Testamentary Recipient," as such term is defined in Section X.D.3 of this Agreement, if the cancellation is as the result of the death of the Resident, shall receive a refund of all money or property transferred to Sharon Towers less: (a) the nonstandard costs to modify the Living Accommodation incurred by Sharon Towers at the request of Resident on or prior to the date of cancellation, (b) the amount of the application fee (to the extent the application fee does not exceed \$1,000), and (c) the cost of the medical examination or other costs incurred by Resident.

If one Initial Joint Resident dies prior to initially occupying the Living Accommodation, the surviving Initial Joint Resident shall have the option to: (a) cancel the Resident's Agreement by written notice to Sharon Towers, in which case the Entry Fee of the deceased Initial Joint Resident shall be deemed to have been paid by the survivor pursuant to part VIII.B.3 and the refund made to the survivor pursuant to the preceding paragraph, or (b) maintain the Resident's Agreement in force as if the deceased Initial Joint Resident had died after occupying the Living Accommodation. The second person Entry Fee will be refunded.

If one Initial Joint Resident is precluded from initially occupying the Living Accommodation under the terms of this Agreement on account of illness, injury, or incapacity,

then the Initial Joint Residents shall have the option exercisable jointly prior to the time either of the Initial Joint Residents occupies the Living Accommodation to: (a) cancel this Resident's Agreement by written notice to Sharon Towers, in which case refund shall be made as if both of the Initial Joint Residents were so precluded from initially occupying the Living Accommodation, or (b) the Initial Joint Resident who is able to occupy the Living Accommodation may do so and the disabled joint resident may be admitted directly into the Health Care Center or the Assisted Living Unit.

### **C. Termination Before the Expiration of the Probationary Period**

At any time within the ninety (90) day period commencing on the Resident's Date of Occupancy of the Living Accommodation (the "Probationary Period"), the Resident may terminate this Agreement by giving written notice of termination to Sharon Towers. The Resident shall move from the Living Accommodation within thirty (30) days from the date on which such notice is received by Sharon Towers.

Within the ninety (90) day Probationary Period, if it should be determined by Sharon Towers that the Resident is unable to make a physical or mental adjustment to the style of living provided, Sharon Towers, at its discretion for any reason, may terminate this Agreement by providing the Resident with at least thirty (30) days written notice of such termination. If such action is taken by Sharon Towers, the Resident will have thirty (30) days to move from his/her Living Accommodation.

If this Resident's Agreement is terminated by Sharon Towers under this part X.C., the Resident shall be entitled to a refund of the entire Entry Fee. If this Resident's Agreement is terminated under this part X.C. by the Resident, the Resident shall be entitled to a refund in accordance with the schedule subject to any changes provided in part X.A (for termination within 30 days following the later of execution of this Agreement or receipt of a Disclosure Statement) and subject to the condition set forth in part X.D.4. below as if this Agreement were terminated on the date the Resident vacates the Living Accommodation. The Resident shall also not be entitled to have any nonstandard costs to modify the Living Accommodation (paid by the Resident) returned to the Resident. The Resident shall be liable for the Monthly Service Fee and all other charges incurred through the last date on which the Resident occupies the Living Accommodation.

### **D. Termination After the Probationary Period**

#### **1. Termination By Voluntary Action of Resident or His/Her Legal Representative**

The Resident or his/her legal representative has the right at any time to terminate this Agreement by written notice of termination to Sharon Towers. Provided, however, only the Resident's legal representative may terminate this Agreement during any time that the Resident lacks legal capacity in the opinion of Sharon Towers' medical director. The written notice need not cite a specific reason for the termination, but it shall state a date when the termination is to become effective, and on or prior to such date the Resident shall move from Sharon Towers and release the Living Accommodation. The Resident shall be entitled to a refund of the Entry Fee as provided in the schedule below.

## **2. Termination By Sharon Towers**

After the Probationary Period, Sharon Towers reserves the right to terminate this Agreement for what is in its reasonable judgment any just or sufficient cause (as described below), based on the judgment of the Board of Directors of Sharon Towers, by serving upon the Resident or his/her legal representative written notice of termination specified to be effective on a date not less than thirty (30) days after the date of the notice. Any such termination by the Board of Directors shall be final and conclusive.

For purposes of this part, X.D.2, Sharon Towers shall have cause to terminate this Agreement if the Resident makes or has made any material misrepresentation or omission in his/her application, financial statement or medical record or if it is determined by the Board of Directors of Sharon Towers that continued occupancy at Sharon Towers by the Resident creates a substantial concern to the life, health, safety and peace of any Resident, staff or other persons on the premises, or if the Resident shall be in breach of, or default under, the terms of this Agreement after reasonable notice and opportunities to cure any such breach or default. On or before the termination date in any such written notice, the Resident shall move from and release his/her Living Accommodation. After such removal, the Resident's obligation to continue Monthly Service Fee payments shall cease, and the Resident shall be entitled to receive a refund of the Entry Fee as provided in the schedule in part X.D.4 below.

## **3. Termination By Death of Resident**

Unless terminated earlier by other provisions in this Agreement, this Agreement shall terminate at the death of the Resident (in the case of a single Resident), or at the death of the last surviving Initial Joint Resident, whereupon all obligations of Sharon Towers under this Agreement, other than those relating to removal of personal property, shall cease. It is Sharon Towers' policy to allow the legal representative of a deceased Resident a period (not to exceed 14 days) following death to remove the personal effects of the deceased Resident from the Living Accommodation. Sharon Towers reserves the right at any time following the termination of this Agreement to gain access to the Living Accommodation and to pack, remove and store elsewhere, at the expense of Resident's estate, the personal effects of the deceased Resident contained therein. Any personal effects of the Resident in the Living Accommodation theretofore occupied or held in storage shall be made available to the Resident's executor, administrator, or personal representative, or to other persons entitled by law to receive them. Sharon Towers is not responsible for loss or damage to personal property after the death of the Resident.

The estate of the deceased Resident shall pay one-half of the daily rate from the date of death until the deceased Resident's personal effects are removed from the Living Accommodation and other areas within Sharon Towers not to exceed 14 days. If the belongings are not removed from the accommodation within 14 days, the full monthly service fee will be charged until the accommodation is cleared and the key is returned to management. A packing and moving fee will apply for these services if needed after the 14 day period and will be billed to the estate of the Resident. If Sharon Towers stores the deceased Resident's personal effects off the premises, the estate of the Resident shall pay the cost of removal and storage. If the deceased Resident's personal effects are not claimed within ninety (90) days following death, Sharon Towers



may dispose of the personal effects as it sees fit and the estate of the Resident shall be liable for all costs of storage (including storage beyond the ninety (90) day period) and disposition. At the death of the Resident, the Resident's Designated Testamentary Recipient shall be entitled to a refund of the Entry Fee as provided in the Schedule below. For purposes of this Agreement, "Designated Testamentary Recipient" shall mean the estate of the Resident unless (i) the Resident had designated in a writing, substantially in the form attached as Addendum 3 to this Agreement, that the Resident's Revocable Trust should be the recipient of such refund, and (ii) such Revocable Trust is in existence at the time of the death of the Resident

**4. Schedule for Refund of Entry Fee In the Event of Termination**

If this Agreement is terminated pursuant to parts X.D.1., 2., or 3. above, or is terminated by the Resident during the Probationary Period pursuant to part X.C. above, then the amount of the Entry Fee that the Resident is entitled to receive as a refund shall be based on the refund plan selected and in accordance with the following table:

If Termination Occurs within the Following Number of Days after the Date of Occupancy:	The Percentage of the Standard Entry Fee that Shall be Refunded Is:	The Percentage of the 50% Refundable Entry Fee that Shall be Refunded Is:	The Percentage of the 90% Refundable Entry Fee that Shall be Refunded Is:
First 30 days	100%	100%	100.00%
31-60 days	95%	95.8%	99.13%
61-90 days	90%	91.7%	98.30%
91-120 days	85%	87.49%	97.47%
121-150 days	80%	83.32%	96.64%
151-180 days	75%	79.15%	95.81%
181-210 days	70%	74.98%	94.98%
211-240 days	65%	70.81%	94.15%
241-270 days	60%	66.64%	93.32%
271-300 days	55%	62.47%	92.49%
301-330 days	50%	58.30%	91.66%
331-365 days	40%	54.13%	90.83%
After 365 days	0%	50.00%	90.00%

After 365 days from the day on which Resident first occupies the Living Accommodation none of the Standard Entry Fee is refundable. Fifty percent is refundable under the 50% refund plan and ninety percent is refundable under the 90% refund plan. In the event that occupancy has been delayed, but the Resident has commenced paying monthly service fees, refunds are calculated based on the assigned Date of Occupancy.

Provided, however, Sharon Towers reserves the right to make conditional the Resident's entitlement to a refund of the Entry Fee under this part X.D.4., on the receipt by Sharon Towers of another Entry Fee of an equal or greater amount from a person who was not an Entry Fee depositor on Sharon Towers' Future Residency Program List on the date this Agreement was terminated and provided that said Entry Fee has not been previously allocated to enable another Resident to receive a refund of his/her Entry Fee. This condition shall not apply if the Resident terminates the Resident's Agreement within 30 days of execution of the Resident's Agreement, or if the Resident dies before occupying a Living Accommodation, or if the Resident is precluded from initially occupying a Living Accommodation due to illness, injury or incapacity, or if Sharon Towers terminates the Resident's Agreement during the Trial Period.

A Resident who participates in the refundable entrance fee plan and subsequently qualifies for and receives financial assistance from Sharon Towers, agrees and consents that when the Resident or the Resident's estate becomes entitled to payment of any refundable entry fee, that such refund will be reduced by Sharon Towers in an amount equal to the financial assistance received by the Resident from Sharon Towers. Once Sharon Towers is fully reimbursed, the Resident or the Resident's estate shall then receive the balance due under the refundable entrance fee plan. If the Resident does not receive any financial assistance from Sharon Towers, then any payments made by Sharon Towers under the refundable entry fee plan shall be paid without any such reduction.

**E. Time for Payment of Refunds**

Any refund of the Entry Fee (due under this Resident's Agreement) shall be payable before the later of (a) thirty (30) days after the Resident has vacated Sharon Towers or (b) thirty (30) days after the Resident becomes entitled to the refund under this Agreement.

**F. Release of Obligation**

Upon termination of this Agreement, Sharon Towers is released from any further obligations to the Resident except for the payment of any refund which may be due under this Agreement.

**XI. Rights and Obligations of the Resident as to Property**

The rights and obligation of the Resident as to property are as follows:

**A. No Rights to Real Property**

The rights and privileges of the Resident, as granted herein, do not include any rights, title or interest whether legal, equitable, beneficial or otherwise, in or to any part of any real property, including land, buildings, improvements and fixtures owned by Sharon Towers or in which Sharon Towers has any interest. Resident does not own property at Sharon Towers, and the Living Accommodation or assigned parking space may not be willed or otherwise assigned or sublet by Resident. The Resident's rights are for services granted herein on a contractual basis, and not by way of any legal or equitable ownership or other interest in any real property of Sharon Towers. Any rights, privileges or benefits arising under this Agreement or from the payment of any fees herein provided for or hereafter acquired or arising in any manner here from, shall be subordinate and inferior to all mortgages or deeds of trust on any of the premises or real properties of Sharon Towers, heretofore or hereafter given, to secure any loans or advances made to Sharon Towers or its successors, now outstanding or made in the future, and subordinate and inferior to all amendments, modifications, replacements, or refunding thereof, and Resident agrees that, upon request of Sharon Towers, or the holder of any such instrument, he/she will execute and deliver any document which is alleged to be necessary or required to effect or evidence such subordination.

**B. Rights to Personal Property**

As in the case of real property, the Resident has no right, title or interest, legal, equitable, beneficial or otherwise in or to any part of the personal property owned by Sharon Towers, including wall-to-wall carpets, (excluding area rugs owned by Resident) draperies, blinds, appliances, and fixtures in the Living Accommodation, even if upgraded at the Resident's cost, nor any right to any furniture, furnishings or fixtures in common areas and facilities owned by Sharon Towers.

**C. Responsibility for Damages**

Any loss or damage to real property of Sharon Towers, caused by the negligence of the Resident, Resident's guests or Resident's uninsured vendors or suppliers shall be charged to and paid for by the Resident. If any negligence of any Resident or any Resident's guests results in injury, illness or damage to the Resident or to any other Resident, Sharon Towers assumes no responsibility therefore, and the Resident hereby indemnifies, holds harmless, releases and discharges Sharon Towers from and against any and all claims, losses, liability, costs, damages, including attorneys' fees, in connection with or arising out of the negligence of the Resident or the Resident's guests, or the negligence of any other Resident or the guests of any other Resident. The Resident assumes all risks of personal damages which he or she may receive by reason of the termination of the Resident's occupancy in the home for misconduct or violation of the policies governing Residents, or for any other reason.

**D. Responsibility for Protection of Resident's Property**

Sharon Towers shall not be responsible for the loss of any personal property belonging to the Resident due to theft, fire or any cause, unless said property is specifically entrusted in writing to the care and control of Sharon Towers, and then Sharon Towers shall be responsible only for ordinary care to safeguard, and account for, such property. The Resident shall have the responsibility, at his/her own expense, of providing and maintaining a standard property and liability insurance policy to protect Resident's personal property.

Sharon Towers, upon either (1) the termination of this Agreement or (2) in the event that the Resident is in the Health Care Center and it has been determined by the Sharon Towers' medical director or the Resident's personal physician that it is unlikely that the Resident will be physically or mentally able to reoccupy his/her Living Accommodation for the reasonably foreseeable future, shall have the right, at the Resident's expense, to remove all personal property of the Resident from his/her Living Accommodation and to make that Living Accommodation available to others, and store the Resident's personal property, at the Resident's expense and risk. If the property is stored in a commercial storage facility, Sharon Towers shall have no responsibility for such property after it has been placed in storage, and the Resident, or the Resident's estate, shall be liable for all storage fees incurred.

## **XII. Arrangement for Guardianship and Resident's Estate**

### **A. Will and Financial Arrangements Required**

The Resident, within three (3) months of the Date of Occupancy agrees to make, if not previously made, a will providing for disposal of his/her assets and appointment of an Executor of his/her estate. In addition, the Resident shall give Sharon Towers written instructions with respect to the location of the will, the Executor of Resident's estate, and the Resident's funeral and burial arrangements, which arrangements Resident shall pay for at his or her expense.

### **B. Legal Guardian**

As provided in paragraph VII.I the Resident agrees to provide Sharon Towers in writing with the name of the person(s), as provided in paragraph VII.I, having been given Power of Attorney by the Resident and to keep this information current in the home's business office.

If the Resident becomes legally incompetent or unable properly to care for his/her self or his/her property, in the judgment of Sharon Towers, Sharon Towers shall contact the guardian or conservator nominated and appointed by the Resident pursuant to the provisions of North Carolina General Statute Section 32C-1-108 in any Power of Attorney or other instrument, or by the court, if one has been appointed. In the event the Resident has made no designation of a person or legal entity to serve as his/her guardian or conservator, the Resident hereby authorizes and requests Sharon Towers to apply to a court of competent jurisdiction for the appointment of a conservator or guardian, and if there is no proper person to serve in such capacity, Resident hereby nominates and appoints Sharon Towers as his/her guardian or conservator, to be confirmed in appointment by the court. The Resident or the Resident's estate shall reimburse Sharon Towers for all expenses it incurs pursuant to this part XIII.B. including but not limited to legal and other professional fees incurred by Sharon Towers in carrying out its duties hereunder.

## **XIII. Living Will and Health Care Power of Attorney**

It is understood that the Resident has the right to make a Living Will, Medical Directives and to designate a Health Care Power of Attorney. Resident has the responsibility of providing a copy of the document to Sharon Towers and any subsequent modifications.

## **XIV. Pets**

Pets maybe permitted under certain guidelines, in accordance with the Sharon Towers Pet Policy currently in effect.

## **XV. Non-Transferable**

The rights and privileges of the Resident under this Agreement to the Living Accommodation, facilities, services and medical care are personal to the Resident and cannot be transferred or assigned by act of the Resident, or by any proceeding at law, or otherwise. Any attempted assignment of this Agreement shall be void and shall give Sharon Towers the right to terminate this Agreement. If any person, other than the person who has signed this Agreement,

seeks to live in the Resident's Living Accommodation without following the proper admissions procedure established by Sharon Towers, Sharon Towers shall have the right to terminate this Agreement.

## **XVI. Notice**

All notices to be given in accordance with this Agreement shall be deemed to have been properly given if and when delivered personally or sent by mail, postage prepaid, as follows:

To Sharon Towers:	The Presbyterian Home at Charlotte, Inc. 5100 Sharon Road Charlotte, North Carolina 28210 Attention: President & CEO
To Resident (before taking occupancy):	at the address shown on the Resident's application forms.
To Resident (after taking occupancy):	at the Resident's Living Accommodation or Health Care Center room, as the case may be.

## **XVII. Miscellaneous**

### **A. Entire Agreement**

This Agreement, including any addenda, together with the application form, financial statements, medical records and the continuing care disclosure statement constitute the entire agreement between Sharon Towers and the Resident. The Resident warrants that all statements made herein or in the foregoing are true and correct. Sharon Towers is not liable and shall not be bound by any statements, representations or promises made by any person representing or purporting to represent Sharon Towers, unless such statements, representations or promises are set forth in this Agreement as Special Provisions or in the continuing care disclosure statement delivered prior to or simultaneously with this Agreement.

### **B. Rights of Management**

The absolute right of management is reserved to Sharon Towers. Sharon Towers reserves the right to accept or reject any person for residency. Residents do not have the right to accept or reject any person for residency. Residents do not have the right to management or the right to determine admission, or transfer of any other Resident.

### **C. Rules and Regulations**

The Resident acknowledges receiving a copy of the Residents' Handbook and will observe all rules and regulations which Sharon Towers may from time to time adopt for the convenience, comfort, safety and wellbeing of all Residents.

**D. No Waiver**

Any failure by the Resident or Sharon Towers to exercise any right or remedy granted to either of them under this Agreement shall not be construed as a waiver of the right to exercise the same or any other right or remedy at any time, or from time to time thereafter.

**E. Invalidity, Unenforceability**

If any portion of this Agreement shall, for any reason, be held to be invalid or unenforceable in any jurisdiction in which it is to be enforced, such invalidity and unenforceability shall not affect any other provision of this Agreement, and it shall be construed as if such invalid or unenforceable provision were omitted.

**F. Amendments**

This Agreement may be amended only in writing executed by an authorized officer of Sharon Towers and by the Resident, and such amendment shall be attached as an addendum to this Agreement.

**G. Section Headings**

Section headings are for reference purposes only.

**H. Binding Effect**

This Agreement shall be binding upon, and inure to the benefit of, Sharon Towers and the Resident, and their respective successors, permitted assigns and personal representatives.

**I. Counterparts**

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which, when taken together, shall constitute but one agreement.

**J. North Carolina Law**

All matters affecting the interpretation of this Agreement and the rights and obligations of the parties hereto shall be governed by and construed in accordance with the laws of the State of North Carolina.

**K. Presbyterian Church (U.S.A.)**

The entire Board of Directors of Sharon Towers is elected by the Presbytery of Charlotte, a duly established governing body of the Presbyterian Church (U.S.A.). The Presbyterian Home at Charlotte, Inc. is a nonprofit corporation under the laws of the state of North Carolina and a separate and distinct legal entity from the Presbyterian Church (U.S.A.) or any division thereof. Neither the Presbyterian Church (U.S.A.), nor its General Assembly nor any board, synod, presbytery, session, church, congregation nor any instrumentality, agency,

division, combination or organization of the foregoing shall have any responsibility with respect to the organization, operation, financial affairs, liabilities or debts of Sharon Towers or The Presbyterian Home at Charlotte, Inc.

**IN WITNESS WHEREOF**, the parties have executed this Agreement, the day and year as referenced on Page 1 of this Agreement.

SHARON TOWERS:

[Corporate Seal]

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.

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

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

RESIDENT or POA:

\_\_\_\_\_ [SEAL]

\_\_\_\_\_ [SEAL]

**Addendum 1**

**To Resident's Agreement**

**Special Provisions**

**(Attached)**



## SHARON TOWERS CANOPY OPTION

THIS CANOPY OPTION (this "Option") is part of that certain Resident's Agreement dated \_\_\_\_\_ (the "Agreement"), by and between THE PRESBYTERIAN HOME AT CHARLOTTE, INC., a North Carolina nonprofit corporation ("Sharon Towers"), and the undersigned Resident (hereinafter referred to, whether one or two individuals, as "Resident").

Resident desires to move in and occupy a cottage unit (the unit provided to Resident is called the "Living Accommodation") at Sharon Towers as set forth in the Agreement as a short term living accommodation until the Move Out Date (hereinafter defined). Notwithstanding any terms or provisions in the Agreement to the contrary, Sharon Towers and Resident hereby agree and hereby amend the Agreement as follows:

1. Resident acknowledges and agrees that Sharon Towers intends to construct Villas or other structure(s) (the "New Villas") upon the site where the Living Accommodation is located and that Resident will only be entitled to occupy the Living Accommodation as a short term living accommodation in accordance with the terms and provisions of this Option. Resident shall pay the Entry Fee, Monthly Service Fee, Canopy Rate monthly fee, and other fees and expenses for the Living Accommodation as set forth in the Agreement. No financial assistance shall be available for the Living Accommodation.

2. Sharon Towers shall provide Resident with at least ninety (90) days prior written notice (the "Move Out Notice") of the date (the "Move Out Date") that Resident must move out and vacate the Living Accommodation. After Sharon Towers issues the Move Out Notice, Resident shall have the option to either (i) leave Sharon Towers prior to the Move Out Date in which event the applicable portion, if any, of the Entry Fee paid by Resident for the Living Accommodation shall be refunded to Resident pursuant to Part X.D.4. of the Agreement, or (ii) elect to move to another living accommodation at Sharon Towers as set forth in this Option. Within thirty (30) days after the date of the Move Out Notice, Resident shall provide notice (the "Resident Notice") to Sharon Towers stating whether Resident elects to leave Sharon Towers or transfer to another living accommodation located at Sharon Towers. In the event that Resident fails to provide the Resident Notice to Sharon Towers within thirty (30) days after the date of the Move Out Notice, then Resident shall be deemed to have elected option (i) above and Resident shall leave Sharon Towers prior to the Move Out Date. In any event, Resident shall vacate the Living Accommodation prior to the Move Out Date. If the Resident fails to remove all of his/her belongings from the Living Accommodation prior to the Move Out Date, Resident will be charged the full room rate until the unit is cleared and Resident agrees to pay to Sharon Towers all damages, expenses and costs incurred by Sharon Towers relating to Resident's failure to fully vacate the Living Accommodation prior to the Move Out Date including, but not limited to, any lost revenue with respect to the New Villas.

3. In the event that Resident elects to transfer to another living accommodation at Sharon Towers, then Sharon Towers shall use commercially reasonable efforts to provide Resident with a living accommodation that has a similar size to the Living Accommodation provided that Resident satisfies all of Sharon Towers' financial requirements for such living accommodation. Sharon Towers may require that Resident provide a current financial statement. Provided,

however, the replacement living accommodation shall not be, and Resident shall not be entitled to move to, any units within Magnolia Villas I, Magnolia Villas II or other Villas or structures to be constructed at Sharon Towers. Sharon Towers makes no guarantees to Resident whatsoever with respect to the size or type of the actual replacement living accommodation (the "New Living Accommodation"). Prior to moving into the New Living Accommodation, Resident shall pay then current Entry Fee for the New Living Accommodation based upon the Entry Fee schedule in existence at the time of the move but Resident shall receive a credit for the following fees paid by Resident (i) the Entry Fee paid by Resident for the Living Accommodation, and (ii) the sum of each Canopy Rate monthly fee paid by Resident. Upon payment of said Entry Fee, and unless health declines, the Resident shall be entitled to occupy the same type of living accommodation as the New Living Accommodation for the remainder of his/her life, as long as his/her health permits, unless expressly provided otherwise in the Agreement. Resident and Sharon Towers agree that Sharon Towers shall coordinate the move and pay any expenses with respect to the move. No transfer fee shall be charged for the move from the Living Accommodation to the New Living Accommodation. In addition, the Resident shall pay the Monthly Service Fee applicable to the New Living Accommodation based on the number of occupants as of the day that the Resident occupies the New Living Accommodation. The Resident shall vacate the Living Accommodation and move to the New Living Accommodation prior to the Move Out Date.

4. While Resident occupies the cottage unit as its Living Accommodation and upon providing thirty (30) days prior written notice to Sharon Towers, Resident shall have the right to terminate the Agreement at the end of any month and move from the Living Accommodation outside of Sharon Towers.

5. In the event that Resident is moved from the Living Accommodation on a permanent basis to the Health Care Center or an Assisted Living Unit, Resident shall pay to Sharon Towers, in addition to the applicable fees set forth in the Agreement, the then current Entry Fee for the Health Care Center or the Assisted Living Unit, as applicable, based upon the Entry Fee schedule in existence at the time of the move but Resident shall receive a credit for the following fees paid by Resident (i) the Entry Fee paid by Resident for the Living Accommodation, and (ii) the sum of each Canopy Rate monthly fee paid by Resident.

6. The Agreement and this Option may be executed in multiple counterparts, or in counterpart signature pages, all of which when taken together shall constitute one and the same agreement. A signed copy of the Agreement together with this Option delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery or an original.

7. The terms and provisions of this Option shall govern and control over the terms and provisions of the Agreement. Except as amended by this Option reference is made to the Agreement for a definition of any terms or provisions. This Option is hereby incorporated into and made a part of the Agreement.

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

SHARON TOWERS:

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.

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

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

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

RESIDENT:

\_\_\_\_\_ [SEAL]

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

\_\_\_\_\_ [SEAL]

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

## Sharon Towers Rose Option

The Sharon Towers Rose Option provides future residents both price protection and the security of being part of a continuing care retirement community. This option is intended for those residents without an immediate need to move into Sharon Towers. The Rose Option applies only to studio and large studios as designated by Sharon Towers.

**Upon (a) signing Sharon Towers Resident's Agreement and (b) paying the Entry Fee for a studio or large studio the terms, conditions and benefits of the Rose Option are as follows:**

- **Monthly Service Fee** - Prior to physically moving into Sharon Towers, the resident(s) will pay a reduced monthly service fee for their studio accommodation for as long as they do not physically move into Sharon Towers. This monthly service fee will be the annually published monthly service fee for the studio selected and will then be reduced for an individual or a couple. This adjustment is based in part upon the savings to Sharon Towers for not having to incur the occupancy costs that would have been incurred for the delivery of utilities, housekeeping, dining, home visits, emergency response, etc.
- **Desired Accommodation** - The resident(s) must provide Sharon Towers with a list of one to three desired upgraded accommodations they wish to move into at some point in the future (referred to herein as "desired accommodation"). Sharon Towers will offer the resident(s) their desired accommodation when it becomes available.
- **Wait List** - Those exercising this option move to the top of the wait list for their desired accommodation. Along with other "Rose Option" residents, your position on the wait list is determined by the date the Resident's Agreement is executed. The resident(s) place on the list will not change if they decline the offer to upgrade to their desired accommodation.
- **Entry Fee Price Protection** - The resident(s) will receive Entry Fee Price Protection for their desired accommodation. The existing Entry Fee pricing schedule used will be the one in place on the date of the fully executed Resident's Agreement and will be honored for a period of up to three (3) years thereafter. After three (3) years the most current published Entry Fee pricing schedule will be used to calculate the additional entry fee due.

**Upon accepting an available desired accommodation:**

- **Entry Fee Refund Option** - Resident(s) may revise their Entry Fee Refund Option at the time of the upgrade to a larger accommodation.
- **Entry Fee Payment** - Upon accepting an available desired accommodation the resident(s) will pay the difference between the Entry Fee paid for the studio at the time the Resident's Agreement was executed and the Entry Fee for the desired accommodation.
- **Monthly Service Fee** - Once the resident(s) moves to their desired accommodation, the monthly service fee due is the most current published monthly service fee applicable to that accommodation.

***This agreement is intended solely to set forth the terms and conditions of the Rose Option for the designated units. It is not intended to be a substitution or replacement of the terms of Sharon Towers' Resident's Agreement except to the extent the modified pricing and designation options are set forth in this "Rose Option Agreement."***

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

Date: \_\_\_\_\_

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

Date: \_\_\_\_\_

Executive Director: \_\_\_\_\_

Date: \_\_\_\_\_

**Addendum 2**  
**Power of Attorney**  
**(attached)**

**ARTICLE I  
DESIGNATION OF AGENT**

I, \_\_\_\_\_, of \_\_\_\_\_ County, North Carolina, being of sound mind, appoint The Presbyterian Home at Charlotte, Inc., a non-profit corporation (hereinafter "Sharon Towers"), as my Attorney-in-Fact (herein referred to as my "Agent") for the purposes set out below.

**ARTICLE II  
GRANT OF AUTHORITY**

I grant to my Agent general authority to act for me with respect to claims and litigation, as set forth in Section 32C-2-212 of the North Carolina General Statutes, related to accidents, injuries or other damages incurred by me caused by a third party. The authority granted to my Agent pursuant to this power of attorney may be exercised by my Agent even though the exercise of that authority may benefit the Agent.

**ARTICLE III  
GRANT OF SPECIFIC AUTHORITY**

I expressly grant my Agent the authority and power to delegate to another person any of the authority granted to my Agent or engage another person on my behalf. If an appointment of another Agent is necessary, my Agent may appoint such person and revoke the appointment.

**ARTICLE IV  
LIMITATION ON EXERCISE OF POWERS BY AGENT**

The following limitations shall apply to the exercise of the powers by my Agent in addition to any other limitations provided in this power of attorney:

A. If I or any other agent or attorney-in-fact appointed by me is actively pursuing any claims or litigation, then my Agent shall not exercise any powers granted in this power of attorney.

**ARTICLE V  
MISCELLANEOUS MATTERS RELATED TO MY AGENT**

A. Accountings. My Agent shall keep a record of all receipts, disbursements, and transactions made on my behalf, but my Agent is not required to disclose such records to me or anyone else unless ordered by a court or requested by me or my guardian, or upon my death by my personal representative or the successor in interest of my estate.

B. Revocation of Agent's Authority. In addition to other events or occurrences revoking my Agent's authority under this power of attorney, I may revoke that authority and

remove my Agent by a writing executed by me and delivered to my Agent in person or to my Agent's last known address by certified or registered mail return receipt requested.

C. Resignation of Agent. My Agent shall have the right to resign by giving written notice of resignation to me if I am not incapacitated or if I am incapacitated to my guardian if one has been appointed and any coagent or, if none, the successor agent next designated.

D. Duty and Liability of Agent. If my Agent accepts the authority under this power of attorney, then in exercising a power granted to my Agent, my Agent shall act in accordance with my reasonable expectations if known and, otherwise, in my best interests, in good faith, and only within the scope of the authority granted in this power of attorney.

E. Coordination with Health Care Agent. My Agent shall cooperate with my Health Care Agent appointed pursuant to a Health Care Power of Attorney meeting the requirements of Article III, Chapter 32A of the General Statutes. Any decision affecting my property or financial affairs, including a decision as to the disbursement of money or other property belonging to me, which is made by my Health Care Agent, shall be superior to and binding upon my Agent acting under this power of attorney, and my Agent shall not be required to inquire as to whether any such decision is necessary to exercise the powers relating to health care, or whether costs incurred by my Health Care Agent are reasonable, and shall not be liable to me or to my successors, assigns, heirs or personal representatives for any acts or omissions arising from any such decision.

F. Compensation of its Agent. Any corporation acting as my agent, may receive that compensation for services which it customarily charges for like services at the time the services under this power of attorney are rendered.

## **ARTICLE VI RELiance ON THIS POWER OF ATTORNEY**

A person that in good faith accepts this power of attorney without actual knowledge that the power of attorney or my Agent's purported authority is void, invalid, or terminated, or that my Agent exceeded my Agent's authority, may rely on the power of attorney and my Agent's authority as if they were genuine, valid, and still in effect and shall not be held responsible for any breach of fiduciary duty by my Agent.

## **ARTICLE VII TERMINATION**

This power of attorney shall terminate upon (i) my death, (ii) my revocation of this power of attorney, (iii) my revocation of my Agent's authority, or upon my Agent's dissolution or resignation, if this power of attorney does not provide for another agent to act, or (iv) upon termination by my general guardian or the guardian of my estate.



**ARTICLE VIII  
MEANING AND EFFECT**

The meaning and effect of this power of attorney shall for all purposes be determined by the law of the State of North Carolina.

**ARTICLE IX  
EFFECTIVE DATE AND DURABILITY**

This power of attorney is effective on the date it is signed by me and shall not be affected by my subsequent incapacity.

I have signed and sealed this Durable Limited Power of Attorney this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

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

STATE OF NORTH CAROLINA  
COUNTY OF MECKLENBURG

I certify that \_\_\_\_\_ personally appeared before me this day, acknowledging to me that **he/she** signed the foregoing instrument.

Date: \_\_\_\_\_

[NOTARIAL SEAL]

\_\_\_\_\_  
Signature of Notary Public

\_\_\_\_\_  
Printed or Typed Name of Notary Public

My Commission Expires: \_\_\_\_\_

**Addendum 3**  
**Designation of**  
**Designated Testamentary Recipient**  
**(attached)**

**Designation of  
Designated Testamentary Recipient**

If as the result of my death, my "Designated Testamentary Recipient" is entitled to receive a refund from The Presbyterian Home at Charlotte, Inc. ("Sharon Towers"), as provided by Article X.B. or Article X.D. of The Presbyterian Home at Charlotte, Inc. Resident's Agreement which Sharon Towers and I executed on \_\_\_\_\_, \_\_\_\_\_, I designate that my Revocable Trust under agreement dated \_\_\_\_\_, \_\_\_\_\_, as may be amended from time to time (the "My Revocable Trust Agreement"), shall be my "Designated Testamentary Recipient" of such refund from Sharon Towers.

For purposes of this Agreement, I do hereby certify that:

1. My Revocable Trust Agreement is my primary estate planning document;
2. I am the only person authorized to amend, modify, change or revoke My Revocable Trust Agreement during my lifetime, and
3. After my death or incapacity, no one is authorized to amend, modify, change or revoke My Revocable Trust Agreement.

I and the witnesses do hereby sign this Designation on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

WITNESSES

RESIDENT(S)

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

On behalf of The Presbyterian Home at Charlotte, Inc. ("Sharon Towers"), I do hereby acknowledge the execution of the Designation of Designated Testamentary Recipient executed by Resident(s), \_\_\_\_\_ and \_\_\_\_\_ on this the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

THE PRESBYTERIAN HOME AT CHARLOTTE,  
INC.

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

EXHIBIT F  
TO  
THE PRESBYTERIAN HOME AT CHARLOTTE, INC.  
(SHARON TOWERS)

CONTINUING CARE DISCLOSURE STATEMENT

RESERVATION AGREEMENT

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**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.**

**(SHARON TOWERS)**

**RESERVATION AGREEMENT**

**2021-2022**

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SHARON TOWERS, THE PRESBYTERIAN HOME AT CHARLOTTE, INC.  
RESERVATION AGREEMENT

THIS RESERVATION AGREEMENT (this "Agreement") is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between: \_\_\_\_\_ (hereafter referred to, whether this Agreement is executed by one or two individuals, as "**Resident**"), whose address is: \_\_\_\_\_ and **The Presbyterian Home at Charlotte, Inc.**, a non-profit continuing care retirement community doing business as Sharon Towers (hereinafter "**Sharon Towers**"), whose address is: Sharon Towers, 5100 Sharon Road, Charlotte, North Carolina 28210.

WITNESETH:

**WHEREAS**, Resident desires the right to reside in one of the residential units, subject to the rules and regulations of Sharon Towers as contained in the document entitled "Resident's Agreement" ("**Resident's Agreement**"), and Resident desires to enter into this Agreement to govern said reservation.

IN CONSIDERATION of the mutual covenants and conditions contained herein, Resident and Sharon Towers hereby agree to the following terms and conditions:

1. **Accommodation.** Resident, upon payment of the Entry Fee (hereinafter defined in Paragraph 2) and execution of the Resident's Agreement, shall be granted the right to occupy a residential unit designated as \_\_\_ accommodation \_\_\_\_\_, Floor Plan \_\_\_\_\_, \_\_\_\_\_ Floor (**the "Unit"**) as shown on the plans and specifications provided to Resident, which Unit also includes one designated \_\_\_\_\_ parking space. Resident acknowledges receipt of a copy of the plans and specifications for the Unit.

\_\_\_\_\_  
(Initials of Resident)

2. **Entry Fee.** Resident shall pay to Sharon Towers an entry fee (the "Entry Fee") of \$ \_\_\_\_\_, payable as follows:
  - a. **Reservation Deposit.** \$ \_\_\_\_\_ (the "Reservation Deposit") is due and payable upon execution of this Agreement by Resident, representing ten percent (10%) of the Entry Fee, as an earnest money deposit.
  - b. **Balance of Entry Fee.** The balance of the Entry Fee shall be due and payable on or before the Date of Availability (hereinafter defined in Paragraph 5).
3. **Custom Upfits to Unit.** Resident, without invalidating this Agreement, may request that Sharon Towers modify the Unit to add additional features ("**Custom Upfits**"). If Sharon Towers agrees to add Custom Upfits at the request of Resident, Resident and Sharon Towers shall execute an

addendum to this Agreement containing the agreed upon Custom Upfits, and Resident shall pay the cost of the Custom Upfits (the "Custom Upfits Cost"), as determined by Sharon Towers, at the time of the execution of the Addendum. No Custom Upfits shall be added to the Unit prior to payment of the Custom Upfits Cost by Resident. Should Resident cancel this Agreement for any reason, Sharon Towers shall have the right to retain all of the Custom Upfits Cost paid by Resident. Resident's payment(s) of the Custom Upfits Cost will be used to pay the General Contractor and is not subject to refund under any circumstances. If Resident cancels this Agreement for any reason and Sharon Towers determines that Resident's Custom Upfits are such that they would hinder remarketing of the Unit, Resident will be required to pay, and hereby agrees to promptly pay to Sharon Towers, the cost (the "Custom Upfits Restoration Cost") of restoring the Unit to a marketable condition as determined by Sharon Towers. Once Custom Upfits are in place, they become the property of Sharon Towers and may not be removed by Resident.

4. **Cancellation of Reservation.** Resident may cancel this Agreement at any time prior to occupancy of the Unit by providing written notice (a "Termination Notice") to Sharon Towers at the above address. As Sharon Towers will suffer losses due to cancellation by Resident, Sharon Towers shall be entitled to retain a portion of funds paid by Resident pursuant to Paragraph 2 under certain circumstances as set forth herein together with the Custom Upfits Cost (if applicable). Upon written cancellation of this Agreement, deposits paid by Resident shall be distributed within five (5) business days as follows:
  - a. **Cancellation within 30 days.** If Resident provides the Termination Notice within thirty (30) days of signing this Agreement, this Agreement shall be terminated and Sharon Towers will refund to Resident the Reservation Deposit. The \$1,000 Wait List deposit shall be refunded at the Resident's request.
  - b. **Cancellation due to death.** If this Agreement is canceled due to death of the Resident, Resident's estate shall receive a full refund of the Reservation Deposit, the Progress Deposit (if applicable), and the \$1,000 Wait List deposit (if applicable). In the event of death of a spouse of Resident and the surviving Resident provides a Termination Notice to Sharon Towers within thirty (30) days after such death, this Agreement shall be terminated and Sharon Towers will refund to the surviving Resident the Reservation Deposit, the Progress Deposit (if applicable) and the \$1,000 Wait List deposit (if applicable).
  - c. **Cancellation due to illness.** If Resident provides a Termination Notice with evidence satisfactory to Sharon Towers that Resident is canceling this Agreement on account of illness, injury or incapacity that would preclude either Resident from occupying a Unit under the Resident's Agreement, this Agreement shall be terminated and Sharon Towers will refund to Resident the Reservation Deposit, the Progress Deposit (if applicable) and the \$1,000 Wait List deposit (if applicable and requested by the Resident).

- d. **Other Cancellations.** In all other circumstances where Resident cancels this Agreement by providing a Termination Notice to Sharon Towers or should Sharon Towers terminate this Agreement due to the failure of Resident to comply with the terms herein, Sharon Towers shall retain an amount not to exceed the greater of \$1,000 or two percent (2%) of the Entry Fee from Paragraph 2 above as a reasonable service charge (the "Service Fee") plus the Custom Upfits Cost and the Custom Upfits Restoration Cost (if applicable), and Sharon Towers shall return the balance of the Reservation Deposit and the Progress Deposit to Resident.

Upon cancellation of this Agreement by either party, return of the applicable deposits as provided herein and Resident's payment of any Custom Upfits Restoration Cost, Sharon Towers and Resident shall have no further obligations to each other under this Agreement.

5. **Occupancy of Unit.** Sharon Towers will notify Resident in writing of the date that the Unit will be available for Resident to occupy (the "Date of Availability"). Resident shall, prior to the Date of Availability, notify Sharon Towers of the date Resident will occupy the Unit ("**Date of Occupancy**"), which date shall be not more than thirty (30) days after the Date of Availability. If Resident does not provide Sharon Towers with a Date of Occupancy as provided herein, Sharon Towers shall have the right to terminate this Agreement and refund any deposits, less retainage of the Service Fee as provided in Paragraph 4(d) above.
6. **Final Payment.** Upon receipt from Resident of the Date of Occupancy, Sharon Towers will provide Resident with a closing statement showing Resident the balance due to Sharon Towers, which shall be paid on or before the Date of Availability. This balance will be calculated as follows: Entry Fee less the \$1,000 Wait List deposit (if applicable) and Reservation Deposit (10% deposit due at execution of this Agreement). If Resident does not pay the balance due on or before the Date of Availability, Sharon Towers shall have the right to terminate this Agreement and refund any deposits, less retainage of the Service Fee as provided in Paragraph 4(d) above.
7. **Rules and Regulations of Sharon Towers.** Resident's rights to occupy the Unit are subject to the rules and regulations governing the operation of Sharon Towers as contained in the Resident's Agreement, and Resident agrees to be bound by the terms contained therein.

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(Initials of Resident)

8. **Miscellaneous.** Oral representations and agreements are not binding on Sharon Towers or Resident, and Resident acknowledges that Resident is not relying on any oral representations or agreements of Sharon Towers or any agents of Sharon Towers (including any sales representatives). Existing plans for the Unit are subject to modification by Sharon Towers at any time. Any notice in connection with this Agreement must be in writing and will be deemed delivered when delivered personally, when deposited in the United States Mail, postage



prepaid, registered or certified mail, return receipt requested (with a copy to be mailed by first class mail), or when delivered to a nationally recognized overnight courier (charges prepaid), properly addressed to Sharon Towers or Resident, as the case may be. This Agreement embodies the entire agreement between the parties and cannot be modified or amended except by the written agreement of the parties. This Agreement may not be assigned by Resident. This Agreement shall be governed by the laws of the State of North Carolina.

\_\_\_\_\_ I/We have received Sharon Tower's current Disclosure Statement.  
(Initials of Resident)

**THIS IS A BINDING AGREEMENT BETWEEN RESIDENT AND SHARON TOWERS**, as evidenced by their signatures below.

**RESIDENT(S):**

**The Presbyterian Home at Charlotte, Inc., doing  
business as SHARON TOWERS**

\_\_\_\_\_ (seal)

by: \_\_\_\_\_

Authorized Agent

\_\_\_\_\_ (seal)

\_\_\_\_\_ (Date)

\_\_\_\_\_ (Date)

SHARON TOWERS, THE PRESBYTERIAN HOME AT CHARLOTTE, INC.  
THE DEERWOOD RESERVATION AGREEMENT

THIS RESERVATION AGREEMENT (this "Agreement") is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between: \_\_\_\_\_ (hereafter referred to, whether this Agreement is executed by one or two individuals, as "Resident"), whose address is: \_\_\_\_\_ and **The Presbyterian Home at Charlotte, Inc.**, a non-profit continuing care retirement community doing business as Sharon Towers (hereinafter "**Sharon Towers**"), whose address is: Sharon Towers, 5100 Sharon Road, Charlotte, North Carolina 28210.

WITNESETH:

**WHEREAS**, Sharon Towers plans to construct The Deerwood upon its property located at 5100 Sharon Road, Charlotte, North Carolina, which will contain 46 residential units, and

**WHEREAS**, Resident desires the right to reside in one of the residential units, subject to the rules and regulations of Sharon Towers as contained in the document entitled "Resident's Agreement" ("**Resident's Agreement**"), and Resident desires to enter into this Agreement to govern said reservation.

IN CONSIDERATION of the mutual covenants and conditions contained herein, Resident and Sharon Towers hereby agree to the following terms and conditions:

1. **Accommodation.** Resident, upon payment of the Entry Fee (hereinafter defined in Paragraph 2) and execution of the Resident's Agreement, shall be granted the right to occupy a residential unit designated as an apartment accommodation \_\_\_\_\_, Floor Plan \_\_\_\_\_, \_\_\_\_\_ Floor (**the "Unit"**) as shown on the plans and specifications provided to Resident, which Unit also includes one designated covered parking space. Resident acknowledges receipt of a copy of the plans and specifications for the Unit, and accepts all materials and color, selections that have already been made.

\_\_\_\_\_  
(Initials of Resident)

2. **Entry Fee.** Resident shall pay to Sharon Towers an entry fee (the "Entry Fee") of \$\_\_\_\_\_, payable as follows:
  - a. **Reservation Deposit.** \$\_\_\_\_\_ (the "Reservation Deposit") is due and payable upon execution of this Agreement by Resident, representing ten percent (10%) of the Entry Fee, as an earnest money deposit. Funds for The Deerwood will be placed in the Entry Fee account at BB&T Bank in Charlotte.
  - b. **Progress Deposit at 50% Completion.** \$\_\_\_\_\_ (the Progress Deposit") representing five percent (5%) of the Entry Fee shall be due and payable within ten (10)

days of receiving notice from Sharon Towers that construction of The Deerwood is certified as fifty percent (50%) complete. Funds for The Deerwood will be placed in the Entry Fee account at BB&T Bank in Charlotte.

- c. **Balance of Entry Fee.** The balance of the Entry Fee shall be due and payable on or before the Date of Availability (hereinafter defined in Paragraph 5).
3. **Custom Upfits to Unit.** Resident, without invalidating this Agreement, may request that Sharon Towers modify the Unit to add additional features (“**Custom Upfits**”). If Sharon Towers agrees to add Custom Upfits at the request of Resident, Resident and Sharon Towers shall execute an addendum to this Agreement containing the agreed upon Custom Upfits, and Resident shall pay the cost of the Custom Upfits (the “**Custom Upfits Cost**”), as determined by Sharon Towers, at the time of the execution of the Addendum. No Custom Upfits shall be added to the Unit prior to payment of the Custom Upfits Cost by Resident. Should Resident cancel this Agreement for any reason, Sharon Towers shall have the right to retain all of the Custom Upfits Cost paid by Resident. Resident’s payment(s) of the Custom Upfits Cost will be used to pay the General Contractor and is not subject to refund under any circumstances. If Resident cancels this Agreement for any reason and Sharon Towers determines that Resident’s Custom Upfits are such that they would hinder remarketing of the Unit, Resident will be required to pay, and hereby agrees to promptly pay to Sharon Towers, the cost (the “**Custom Upfits Restoration Cost**”) of restoring the Unit to a marketable condition as determined by Sharon Towers. Once Custom Upfits are in place, they become the property of Sharon Towers and may not be removed by Resident.
4. **Cancellation of Reservation.** In the event that Sharon Towers decides not to complete construction of The Deerwood, Sharon Towers may cancel this Agreement by providing written notice to Resident. In such event, Sharon Towers shall return the Reservation Deposit, the \$1,000 Wait List deposit (if applicable), and the Progress Deposit (if applicable) to Resident. Resident may cancel this Agreement at any time prior to occupancy of the Unit by providing written notice (a “**Termination Notice**”) to Sharon Towers at the above address. As Sharon Towers will suffer losses due to cancellation by Resident, Sharon Towers shall be entitled to retain a portion of funds paid by Resident pursuant to Paragraph 2 under certain circumstances as set forth herein together with the Custom Upfits Cost (if applicable). Upon written cancellation of this Agreement, deposits paid by Resident shall be distributed within five (5) business days as follows:
  - a. **Cancellation within 30 days.** If Resident provides the Termination Notice within thirty (30) days of signing this Agreement, this Agreement shall be terminated and Sharon Towers will refund to Resident the Reservation Deposit and \$1,000 Non-binding Agreement deposit. The \$1,000 Wait List deposit shall be refunded at the Resident’s request.

- b. **Cancellation due to death.** If this Agreement is canceled due to death of the Resident, Resident's estate shall receive a full refund of the Reservation Deposit, the Progress Deposit (if applicable), \$1,000 Non-binding Agreement deposit and the \$1,000 Wait List deposit (if applicable). In the event of death of a spouse of Resident and the surviving Resident provides a Termination Notice to Sharon Towers within thirty (30) days after such death, this Agreement shall be terminated and Sharon Towers will refund to the surviving Resident the Reservation Deposit, the Progress Deposit (if applicable), the \$1,000 Non-binding Agreement deposit and the \$1,000 Wait List deposit (if applicable).
- c. **Cancellation due to illness.** If Resident provides a Termination Notice with evidence satisfactory to Sharon Towers that Resident is canceling this Agreement on account of illness, injury or incapacity that would preclude either Resident from occupying a Unit under the Resident's Agreement, this Agreement shall be terminated and Sharon Towers will refund to Resident the Reservation Deposit, the Progress Deposit (if applicable), \$1,000 Non-binding Agreement deposit and the \$1,000 Wait List deposit (if applicable and requested by the Resident).
- d. **Other Cancellations.** In all other circumstances where Resident cancels this Agreement by providing a Termination Notice to Sharon Towers or should Sharon Towers terminate this Agreement due to the failure of Resident to comply with the terms herein, Sharon Towers shall retain an amount not to exceed the greater of \$1,000 or two percent (2%) of the Entry Fee from Paragraph 2 above as a reasonable service charge (the "Service Fee") plus the Custom Upfits Cost and shall return the balance of the Reservation Deposit and the Progress Deposit to Resident.

Upon cancellation of this Agreement by either party, return of the applicable deposits as provided herein and Resident's payment of any Custom Upfits Restoration Cost, Sharon Towers and Resident shall have no further obligations to each other under this Agreement.

- 5. **Occupancy of Unit.** Forty-five (45) days before the Unit is ready for occupancy, Sharon Towers will notify Resident in writing of the date that the Unit will be available for Resident to occupy (the "Date of Availability"). Resident shall, prior to the Date of Availability, notify Sharon Towers of the date Resident will occupy the Unit ("**Date of Occupancy**"), which date shall be not more than thirty (30) days after the Date of Availability. If Resident does not provide Sharon Towers with a Date of Occupancy as provided herein, Sharon Towers shall have the right to terminate this Agreement and refund any deposits, less retainage of the Service Fee as provided in Paragraph 4(d) above.
- 6. **Final Payment.** Upon receipt from Resident of the Date of Occupancy, Sharon Towers will provide Resident with a closing statement showing Resident the balance due to Sharon Towers, which shall be paid on or before the Date of Availability. This balance will be calculated as follows: Entry Fee less the \$1,000 Wait List deposit (if applicable), Reservation Deposit (10% deposit due at execution of this Agreement), and Progress Deposit (5% deposit due upon fifty

percent (50%) completion of construction). If Resident does not pay the balance due on or before the Date of Availability, Sharon Towers shall have the right to terminate this Agreement and refund any deposits, less retainage of the Service Fee as provided in Paragraph 4(d) above.

7. **Rules and Regulations of Sharon Towers.** Resident's rights to occupy the Unit are subject to the rules and regulations governing the operation of Sharon Towers as contained in the Resident's Agreement, and Resident agrees to be bound by the terms contained therein.

\_\_\_\_\_  
(Initials of Resident)

8. **Miscellaneous.** Oral representations and agreements are not binding on Sharon Towers or Resident, and Resident acknowledges that Resident is not relying on any oral representations or agreements of Sharon Towers or any agents of Sharon Towers (including any sales representatives). Existing plans for the Unit are subject to modification by Sharon Towers at any time. Any notice in connection with this Agreement must be in writing and will be deemed delivered when delivered personally, when deposited in the United States Mail, postage prepaid, registered or certified mail, return receipt requested (with a copy to be mailed by first class mail), or when delivered to a nationally recognized overnight courier (charges prepaid), properly addressed to Sharon Towers or Resident, as the case may be. This Agreement embodies the entire agreement between the parties and cannot be modified or amended except by the written agreement of the parties. This Agreement may not be assigned by Resident. This Agreement shall be governed by the laws of the State of North Carolina.

\_\_\_\_\_ I/We have received Sharon Tower's current Disclosure Statement.  
(Initials of Resident)

**THIS IS A BINDING AGREEMENT BETWEEN RESIDENT AND SHARON TOWERS**, as evidenced by their signatures below.

**RESIDENT(S):**

**The Presbyterian Home at Charlotte, Inc., doing  
business as SHARON TOWERS**

\_\_\_\_\_ (seal)

by: \_\_\_\_\_

Authorized Agent

\_\_\_\_\_ (seal)