Disclosure Statement

March 1, 2021

Alamance Extended Care, Inc.
d.b.a.
The Village at Brookwood

1860 Brookwood Avenue
Burlington, NC 27215
(336) 570-8400

In accordance with Article 64 of Chapter 58 of the NC General Statutes:

- **this Disclosure Statement may be delivered only through July 28, 2022, if not earlier revised;**
- **delivery of this Disclosure Statement to a contracting party before execution of a contract for the provision of continuing care is required;**
- **this Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.**

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Definition of Terms

"Assisted Living" means a level of care that combines housing, supportive services, personalized assistance and healthcare designed to meet the individual's needs on a daily basis.

"Confidential Financial Statement" means a financial disclosure by the resident for the purpose of qualifying for admission to The Village at Brookwood.

"Continuing Care Retirement Community" (CCRC) also known as Life Plan Community means the provision of residential housing together with nursing services, medical services, or other health related services, under an agreement effective for the life of the individual.

"Co-Resident Fee" means the additional entrance fee and the additional monthly fee associated with two persons occupying the same residence.

"Direct Admission to the Health Care" means an agreement between a resident and The Village at Brookwood to enter Health Care directly for residency. Health related services are provided at the full per-diem rate and specified amenities are billable services as used.

"Entrance Fee" means a one-time payment at move-in that assures a resident a residence.

"Fee-for-Service contract" means a contract that provides housing, residential services, and priority access to health-related services in exchange for an entrance fee and a monthly fee. Health related services are provided at the full per-diem rate and specified amenities are billable services as used.

"Health Care Center" means the building where Assisted Living and Nursing Care are provided.

"Life Care Benefit" means the rate paid by a resident who has a "Life Care Contract" while residing in the Health Care Center. The rate at the time of transfer will apply to Assisted Living, Assisted Living Memory Care and Skilled Nursing accommodations.

"Life Care Contract" means a contract that provides housing, residential services, and priority access to health-related services in exchange for an entrance fee and a monthly fee. Unlimited access to long-term nursing care is available at little to no additional cost (Life Care Benefit), apart from periodic inflationary increases.

"Life Plan Community" also known as a CCRC means the provision of residential housing together with nursing services, medical services, or other health related services, under an agreement effective for the life of the individual.

"Non-refundable fee" means the portion of the fees paid to The Village at Brookwood that will not be refunded if the resident terminates the contract.

"Nursing Care" means the Skilled Nursing level of care as defined by the Nursing Home Rules and Regulations.

"Occupancy" means the time after which the resident pays their entrance fees, begins paying monthly fees, takes possession of the keys and moves into his/her residence at The Village at Brookwood.

"Provider" means the corporation, Alamance Extended Care, Inc., d/b/a The Village at Brookwood.

"Residence" means an Apartment, Garden Home or Assisted Living residence.

"Residence and Services Agreement" means the contract for continuing care between The Village at Brookwood and the resident.

"Residency" means approval by the Provider to move into the CCRC, based on age, health and financial qualifications of the prospective resident.

"Resident" means a purchaser of a Life Care or Fee for Service Residence and Services Agreement and residing on The Village at Brookwood campus.

"Residential Living" means the garden homes and apartment residences.

"Skilled Nursing" means the level of care that requires the oversight of a Registered Nurse.

"The Village" means The Village at Brookwood.

"Wellness Center" means the facility that houses all exercise equipment, aerobics/exercise room and swimming pool.

I. ORGANIZATION

The Village at Brookwood is a full-service retirement community that was sponsored and developed by ARMC Health Care. ARMC Health Care is the sole member of: Alamance Extended Care, Inc.; Alamance Regional Medical Center, Inc.; ARMC Physicians Care, Inc. and Alamance Regional Medical Center Foundation, Inc.

In December 2011, ARMC Health Care announced its intent to integrate with The Moses H. Cone Memorial Hospital (Cone Health) in Greensboro. Cone Health is a regional health care system with four hospitals in Greensboro and one in Reidsville, NC. A due diligence process was engaged, and the required regulatory approvals were obtained. The transaction was effective on May 1, 2013. This effective date accounts for the time necessary to obtain clearance from the Federal Trade Commission ("FTC"), which is a condition precedent for closing. Cone Health is the sole member of ARMC Health Care.

The Village at Brookwood functions as a separate, not-for-profit 501(c)(3) corporation named Alamance Extended Care, Inc. doing business as The Village at Brookwood. All financial and contractual obligations of The Village at Brookwood will be the sole responsibility of The Village; the member will not be responsible for any of these obligations.

ARMC Health Care and Cone Health are not-for-profit corporations chartered by the State of North Carolina.

In August of 2015, The Village at Brookwood and Well·Spring Services in Greensboro entered into an affiliation agreement that provides The Village an opportunity to collaborate on services such as dining, strategic planning and marketing. The goals of the affiliation are to develop an Exceptional Dining program utilizing The Village management versus contract management, develop a strategic plan sharing consultant resources and collaboration on marketing strategies to diversify each community's methods of attracting older adults. This affiliation does not affect governance, management or financial obligations of The Village.

On October 1, 2016, Cone Health restructured reporting relationships so that the health care services of The Village report directly to the Cone Health Corporate Director of Non-Acute and Transitional Care services and indirectly to the Executive Director of The Village.

On June 1, 2017, The Village at Brookwood and The Well·Spring Group in Greensboro entered into a management agreement. The Well·Spring Group and its affiliate, Well·Spring Management and Development, employ The Village's Executive Director, Healthcare Administrator and Director of Nursing. Well·Spring is not responsible for the financial and contractual obligations of The Village.

Alamance Extended Care, Inc. ("Extended Care") is the licensee operating The Village at Brookwood. Extended Care is a North Carolina nonprofit corporation, whose sole member is ARMC Health Care. ARMC Health Care is also the sole member of Alamance Regional Medical Center, Inc. (the "Medical Center"). Currently, the board of directors of Extended Care is appointed by the Medical Center's board of directors. The Moses H. Cone Memorial

Hospital ("Cone Health") is the sole member of ARMC Health Care and its affiliates, including Extended Care. Therefore, Cone Health is the ultimate parent entity of Extended Care.

Sentara Healthcare ("Sentara") and Cone Health have been negotiating a transaction pursuant to which Sentara will become the sole member of Cone Health, the ultimate parent entity of Extended Care, in accordance with the terms and conditions of the Affiliation Agreement (the "Proposed Affiliation"). The Proposed Affiliation will result in the affiliation of two diversified not-for-profit health care systems—Sentara and Cone—combining to form a fully-integrated health care delivery system. The Proposed Affiliation does not contemplate any material changes to the management or operation of Extended Care prior to closing. The current intent is that Cone Health will remain the parent organization of Extended Care. The current officers of Extended Care will remain in place following the closing of the Proposed Affiliation. There are no planned changes to the board of directors or management team of Extended Care as a result of the Proposed Affiliation prior to closing. Additionally, no changes in Extended Care's administrative staff are anticipated as a result of the Proposed Affiliation.

The legal entity known as "Alamance Extended Care, Inc." will remain in existence and will continue to operate the continuing care retirement community known as The Village at Brookwood. The assets of Extended Care will continue to be owned by Extended Care – there will not be a transfer of any assets (including patient records) to Sentara as a result of the Proposed Affiliation. In addition, Extended Care's tax identification number will not change as a result of the Proposed Affiliation. In short, Sentara currently has no plans to make material changes in Extended Care's business operations or corporate structure or management, other than as may arise in the ordinary course of business.

The closing of the Affiliation Agreement will take place on a mutually agreed upon date following the satisfaction of all conditions of the respective parties, including the receipt of the necessary governmental consents or approvals. After closing, Cone Health will become a fully functioning part of Sentara as a subsidiary of Sentara under the terms of the Affiliation Agreement.

The mission of Alamance Extended Care, Inc. is:

> ***Alamance Extended Care is a not-for-profit affiliate of ARMC Health Care committed to improving the health of the community through the provision of a high quality life-care retirement experience that integrates a continuum of retirement living, preventive wellness, and long term care services.***

The business address for The Village at Brookwood is 1860 Brookwood Avenue, Burlington, North Carolina, 27215. The main entrance is located off of Rockwood Avenue, north of Edgewood Avenue.

The Board of Directors for Alamance Extended Care, Inc. has been selected, nominated, and approved by the Community Advisory Board of Alamance Regional Medical Center. Alamance Regional Medical Center appoints the Chairperson and Vice-Chairperson who will serve until replaced. The power and authority of the Corporation shall be vested in its Board

of Directors, which shall have a minimum of eight (8) members and a maximum of seventeen (17) voting members.

II. FACILITY INTRODUCTION AND INFORMATION

The Village at Brookwood campus is approximately 47 acres located generally between Rockwood Avenue to the west, Hermitage Road to the east, Woodland Avenue and Arbor Drive to the north, and Edgewood Avenue to the south.

Construction of The Village at Brookwood began in November 2001, with occupancy of the retirement community on July 21, 2003.

The Community consists of 110 apartments in a five-story building; 45 one-story garden homes; a community center; and a health care center with 48 rooms of licensed Assisted Living, Memory Care, and Skilled Nursing care. In May 2009, The Village opened a Wellness Center with exercise rooms, swimming pool, Jacuzzi and locker rooms. The Community was originally designed to accommodate approximately 340 Residents.

The common areas are the center of activities for The Village and include a formal dining room, a café, private dining room, a living room and social lounge, an arts and crafts studio, a paint studio, an auditorium, a library, a bank, a beauty and barber shop, carpentry shop, a billiards room and a gift shop. Residents have the choice of using the community center amenities for everyday needs or travelling outside The Village at Brookwood to the greater Burlington community.

The Health Care Center consists of an outpatient clinic, 24 Assisted Living rooms which are licensed as Adult Care (Home for the Aged), with 12 of these rooms dedicated to dementia-memory care, and 24 Skilled Nursing rooms, licensed as Nursing Care.

To plan, finance and develop The Village at Brookwood, a team of professionals experienced in non-profit retirement community development were recruited. The Village at Brookwood was financed through a North Carolina Medical Care Commission tax-exempt bond issue (2001 Series A, B and C) in the amount of $58,060,000. To qualify for tax-exempt financing requires these items: a rigorous financial review and pro-forma; 70% of the Independent Living residences reserved by Residents with a 10% deposit of the Entrance Fee; and a guaranteed maximum price construction contract. These measures were required to insure the financial viability and sound operation of The Village at Brookwood.

On January 2, 2007, the series “C” variable rate bonds ($17 million) were retired. In May 2007, The Village at Brookwood re-financed a portion of the 2001 Series “A” and all of the “B” Bonds and included a $3 million loan from BB&T Bank into a new Fixed Rate 2007 Bond Issue.

On July 24, 2013 the outstanding 2001 bonds were redeemed. On November 20, 2013 the outstanding 2007 bonds were redeemed. The outstanding debt (prior to the redemption of the bonds) was refinanced by Cone Health, the parent corporation.

The Village at Brookwood is managed by its own Board of Directors composed of local experienced business and community representatives, and a professional administrative staff experienced in retirement community management.

A. The Board of Directors and Officers

1. **Jerry Bailey**
   Wells Fargo

   POSITION: Board Member

   BACKGROUND: Graduate of East Carolina University. Senior Vice President, Commercial Banking Leader, Wells Fargo. Service with the following boards: Alamance Community Foundation, Chair; Alamance Chamber, Chair; Alamance Community College Board of Trustees, Chair; Alamance Community College Foundation, Chair; Alamance County Community YMCA; New Leaf Society; Alamance Regional Charitable Foundation; and United Way of Alamance County, Campaign Chair. Member of First Presbyterian Church.

2. **Jeffrey S. Blaser**
   RetireCare Solutions/Raymond James

   POSITION: Finance Committee Chairperson

   BACKGROUND: Graduate of UNC at Chapel Hill. Certified Financial Planner, Registered Principal RetireCare Solutions/Raymond James. Service with the following boards: St. Marks Church; Alamance County Young Life; Loaves & Fishes; Hospice of Alamance Foundation; and Allied Churches of Alamance County.

3. **Bob Chandler**
   Chandler Concrete

   POSITION: Board Member

   BACKGROUND: Graduate of NC State University. Vice President, Chandler Concrete Co. Inc. Service with the following boards: Local Advisory Board Truist Bank; Alamance Community Foundation, Elon University Board of Trustees; Alamance Eldercare; Alamance County Chamber of Commerce; Twin Lakes Retirement Community; City of Burlington Parks and Recreation Commission. Member of Front Street United Methodist Church.

4. **William S. Chandler, Jr.**

   POSITION: Board Chairperson; Ex-officio on all committees.

BACKGROUND: Graduate of UNC at Chapel Hill. Retired, Vice President of Human Resources of Glen Raven, Inc. Service with the following boards: Burlington Christian Academy, Founding Board Member; Christian Counseling Center; Elon University Love School of Business; Alamance Country Club, President; Piedmont Health Coalition; and Pet and Animal Welfare Society (PAWS). Member of First Presbyterian Church, Elder.

5. **Rusty Holt**

POSITION: Board Member

BACKGROUND: Graduate of Davidson College. Property Manager, President/CEO Holt Hosiery Mills. Service with the following boards: Piedmont Health Coalition; Alamance Wildlife Club, President; Burlington Bio Diesel Co Op; Step Up Ministry; Company Shops Market; Positive Attitude Youth Center; and The Burlington School. Member of Saint Mark's Church.

6. **F.D. Hornaday**
Knit-Wear Fabrics, Inc.

POSITION: Ex-officio Board Member with Vote

BACKGROUND: Graduate of UNC at Chapel Hill. CEO of Knit-Wear Fabrics, Inc. Service with the following boards: Salvation Army Boys and Girls Club Advisory Council, Chair; Alamance Junior Tennis Foundation, Chair; United Methodist Foundation; Mid-Carolina Bank Board of Directors, Vice-Chair; UNC Board of Visitors; Trust Company of the South; and Alamance Country Club, President. Current Alamance Regional Medical Center, Chair. Member of Front Street United Methodist Church.

7. **Daryl Ingold**

POSITION: Board Member

BACKGROUND: Graduate of Elon University. President, Burlington Motors, Inc. (Burlington Lincoln-Mercury, Bill Ingold Mazda and Burlington Honda). Service with the following boards: Alamance County Crime Stoppers; Feed the Hunger; Meals on Wheels; Wachovia/Wells Fargo; United Way of Alamance County; and Alamance County Chamber of Commerce.

8. **Edward McCauley**

POSITION: Board Member, Resident

BACKGROUND: Graduate of Mars Hill College, North Carolina State University, Duke University and Virginia Commonwealth University. Retired North Carolina

Hospital Association: President Emeritus; President. Service with the following boards: Duke University Health System; Durham County Hospital Corporation; North Carolina Hospital Association; North Carolina Hospital Foundation; North Carolina Institute of Medicine; North Carolina Center for Hospital Quality and Patient Safety; North Carolina State University Alumni Association; North Carolina State University Foundation; University of North Carolina School of Public Health; Kate B. Reynolds Charitable Trust; and Mars Hill College.

9. Chapman McQueen, MD, FACS
Alamance Ear, Nose & Throat

POSITION: Ex-officio Board Member with Vote

BACKGROUND: Graduate of UNC at Chapel Hill School of Medicine. Partner, Alamance Ear, Nose & Throat, LLP, Burlington. Service with the following boards: Alamance Regional Medical Center Board of Directors; Cone Health Board of Directors. Member of Graham Presbyterian Church, Elder.

10. Marty Stadler
Sawyer Exterminating Service

POSITION: Property Committee Chairperson

BACKGROUND: Graduate of Appalachian State University. Realtor Relations and Market Development, Sawyer Exterminating. Service with the following boards: United Way of Alamance County; Alamance County Chamber of Commerce; Healthy Alamance; Hospice of Alamance-Caswell Counties; and The Salvation Army.

11. Tom Steele
Pittman & Steele

POSITION: Board Member

BACKGROUND: Graduate of UNC at Asheville and UNC at Chapel Hill. Attorney at Law with Pittman & Steele Attorneys and Counselors at Law. Service with the following boards: Alamance District Eagle Board for Old North State Council Boy Scouts of America, Chair; United Methodist Retirement Homes, Inc., Vice President; United Methodist Retirement Homes Foundation; Alamance County Historical Museum; Elon University Love School of Business Accounting; North Carolina Bar Association Real Property Section, Chair; Board of Governors of the North Carolina Bar Association; North Carolina Bar Foundation, Secretary; Alamance County Bar, President; UNC at Asheville Alumni Association; UNC School of Law Alumni Association; Hospice and Palliative Care Center of Alamance-Caswell, LLC, Chair; Hospice of Alamance County Foundation; Habitat for Humanity of Alamance County; Alamance Battleground Friends; and Williams High School Booster Club, Treasurer. Eagle Scout. Member of Front Street Methodist Church.

12. Dr. Cindy Touloupas
Touloupas & Touloupas Dentistry

POSITION: Board Member

BACKGROUND: Graduate of UNC at Chapel Hill and Old Dominion University. General dentist with Touloupas and Touloupas Dentistry. Service with the following boards: Catholic Campus ministry, Elon University, Chair; Parents Council and Board of Visitors, Elon University; Parents Council, University of Chapel Hill; Ralph Scott Life Services. Member of Blessed Sacrament Church.

13. Alan J. White, Ed.D.

POSITION: Board Member

BACKGROUND: Graduate of Wake Forest University, UNC at Chapel Hill and Mississippi State. Retired Director of Athletics and Professor, Elon University. Professor Emeritus at Elon. Service with the following boards: YMCA; Alamance County Recreation Department; Alamance Regional Medical Center; Front Street Methodist Church Administrative Board; Bank of America local board; Alamance County Sports Development Council of the Chamber of Commerce; Alamance Rotary Club, President; Front Street Methodist Church Finance Committee; and NAIA Athletics Directors Association, National Chair. Member of Front Street Methodist Church.

14. Dr. Jo Watts Williams, Ed.D.

POSITION: Nominating Committee Chairperson, Resident

BACKGROUND: Graduate of Elon University and UNC at Greensboro. Retired, Special Assistant to the President and Professor, Elon University. Professor Emeritus at Elon. Service with the following boards: Alamance Regional Medical Center; Alamance Foundation; Alamance County Chamber of Commerce; Wachovia Bank and Trust Company; Habitat for Humanity; Alamance County Chapter, North Carolina Symphony; First Presbyterian Church, Trustee; Women's Health Steering Committee; Salvation Army; United Way of Alamance County; and Burlington Boys and Girls Club.

15. Michael Garland, Executive Director
The Village at Brookwood

POSITION: Ex-Officio Board Member without Vote

BACKGROUND: Joined Well·Spring Management and Development in June 2017 and held the position of Health Care Administrator until May 2019, when he assumed his current role as Executive Director of The Village at Brookwood. Having grown up

in the field of Long-Term Care, Michael has had the opportunity to serve older adults as a leader since 2013. He is a fellow of the Leading Age North Carolina Leadership Academy as of May 2019. Michael holds a Bachelor of Science from East Carolina University and is a licensed Nursing Home Administrator in the state of North Carolina.

16. Rene Smith, Director of Finance
Cone Health

POSITION: Treasurer

BACKGROUND: Responsible for non-hospital financial operations with total gross revenue of $275 million. In addition to the accounting responsibilities for Alamance Extended Care, Inc., she oversees the accounting for Cone Health's outpatient centers, foundations and other entrepreneurial entities. Additionally, she oversees the accounting for all capital purchasing within Cone Health. She holds a Bachelor of Science in Accounting from Elon University and a Masters in Business Administration/Masters in Healthcare Administration from Pfeiffer University.

17. April Mayberry, Healthcare Administrator
The Village at Brookwood

POSITION: Secretary

BACKGROUND: Bachelor's degree in Recreational Therapy from Western Carolina University and has been serving older adults for over 20 years. Her journey in healthcare includes Recreation Therapy Director, Behavioral Health Director and Associate Administrator before becoming a licensed Nursing Home Administrator in 2011. April joined Well·Spring Management and Development in September 2019 in the role of Health Care Administrator for The Village at Brookwood.

18. President of Residents' Association
The Village at Brookwood Residents' Association

POSITION: Resident, Non-voting attendee

B. Professional Staff and Consultants

The Village at Brookwood has professional, experienced staff to conduct the day-to-day management of The Village. The professional team responsible for the management of The Village at Brookwood includes:

1. Kristy Foust, Director of Resident Services
Kristy holds a Bachelor's degree in Recreational Therapy from the University of North Carolina at Greensboro and has been serving older adults for over 10 years. She started her journey as a Certified Nursing Assistant and then became a licensed

Recreational Therapist. Kristy has been with The Village at Brookwood since June of 2018.

2. **Cindy Youngblood, Accounting Manager**
   B.S. in Business Administration from Elon University. Has worked in Accounting since 1984 with Alamance Regional Medical Center and with the Village at Brookwood since 2007.

3. **Cindy Kroksh, Director of Clinical Services**
   Graduate of Watts Hospital School of Nursing. BS from Mars Hill College. Employed in Long Term Care since 1981 and have held the position of Director of Nursing since 1985. She has worked with The Village at Brookwood since 2017.

4. **Anthony Ricciuti, Director of Dining Services**
   Bachelor of Business Management, Memphis State University. Has worked in dining service in a Country Club, Assisted Living and CCRC's as a Chef and in Management positions. Anthony began his employment with The Village in January 2016.

5. **Betsy Huneycutt, Interim Director of Marketing**
   Bachelor of Arts degree from the University of North Carolina at Greensboro. Has worked in sales and marketing and community relations since 1993. Also active in the greater Burlington community. Betsy joined The Village at Brookwood in 2016.

6. **Cary Hinely, Director of Facilities Services**
   Graduate of Southern Alamance High School. Part of Alamance Regional Medical Center's plant operations since 1997. Cary joined the facility services leadership team when The Village at Brookwood was being built in 2003.

Neither the professional staff, the Board of Directors, nor the consulting professionals have a significant financial interest in The Village at Brookwood as defined by North Carolina G.S. 58-64-20(a)(3)(b):

"The name and address of any professional service firm, association, trust, partnership, or corporation in which this person has, or which has in this person, a ten percent (10%) or greater interest and which it is presently intended shall currently or in the future provide goods, leases, or services to the facility, or to residents of the facility, of an aggregate value of five hundred dollars ($500.00) or more within any year, including a description of the goods, leases, or services and the probable or anticipated cost thereof to the facility, provider, or residents or a statement that this cost cannot presently be estimated; and…"

No member of the Board of Directors or professional staff has been convicted of a felony or pleaded *nolo contendere* to a felony charge or has been held liable or enjoined in a civil action by final judgment.

No member of the Board of Directors or professional staff is subject to a currently effective injunctive or restrictive court order, or within the past five years had any state or federal

license or permit suspended or revoked as a result of an action brought by a governmental agency or department.

III. POLICIES

A. Residency – Health and Financial Criteria

Generally, all Residents of Residential Living at The Village at Brookwood are required to live independently at the time of residency and/or settlement and to have the financial resources to pay the Entrance and Monthly Service Fees. Residents are also encouraged to subscribe to Medicare Parts A and B and any other hospital or medical insurance benefit program which supplements Medicare or other comparable insurance accepted by Provider. The Resident shall provide Provider with evidence of such coverage or of an acceptable substitute insurance plan, and the Resident shall pay all premiums.

The process for residency and the financial and medical requirements are specifically outlined in the forms for residency given to every person interested in joining The Village.

The Resident may become a part of the Friends Advantage Program (FAP) by payment of a $1,200 application fee. Of that fee, $1,000 will be credited toward the entry fee; $200 will be retained for administrative costs. Members of the Friends Advantage Program will receive advance notice of openings and will have priority in residence choices over all other prospective residents.

When a desired residence is available, the resident shall enter into the Reservation Agreement and place a 10% reservation fee on the residence that has been chosen. This will reserve the residence during the application approval process.

The Resident shall submit for approval by the Provider, an Application for Residency, which includes a confidential personal and health history and a financial disclosure, all on forms furnished by The Village. The application forms will be submitted to The Village within fourteen (14) days after the execution of the Reservation Agreement.

Upon receipt of the completed application forms, the Provider will review the forms submitted by the Resident for initial acceptance to The Village. Based on entrance criteria and policies established by the Board of Directors of the Provider, the Provider will approve or deny the application for initial acceptance within fourteen (14) days of receipt of the completed application forms. The Resident will be promptly notified of the decision of the Provider.

Provider will notify the Resident forty-five (45) days in advance of the date on which the Residence is available for occupancy. The Balance of the Entrance Fee and the first month’s Monthly Fee are payable by the date of occupancy.

Prior to admission to The Village, the Provider requires the Resident to receive a health assessment conducted by our healthcare team. The Resident shall also submit a report of

a physical examination of the Resident made by a physician selected by the Resident within Sixty (60) Days prior to occupancy. The report shall include a statement by the physician that the Resident is in good health and is capable of independent living (able to provide self-care in activities of daily living). The Resident shall be responsible for the cost of such physical examinations. If the health of the Resident as disclosed by such physical examination differs materially from that disclosed in the Resident's Application for Admission and Personal Health History, Provider shall have the right to decline admission of the Resident to the Residence and may offer occupancy in the Health Care Center as described below.

The Resident must have assets and income which will be sufficient to pay the financial obligations of the Resident under the Residence and Services Agreement and to meet their ordinary living expenses. Provider, at its discretion, may require the Resident(s) to furnish additional, current financial information.

The Resident affirms that the representations made in the Application for Residency, which includes a confidential personal and health history and a financial disclosure, are true and correct and may be relied upon by the Provider as a basis for entering into the Residence and Services Agreement.

If it is determined by the Provider that the Resident is unable to live independently in the residence, such resident may be offered direct admission to the Health Care Center. Such Resident shall pay the current Direct Admission Entrance Fee and shall pay monthly fees equal to the current private pay rate (per diem market rate) in the Health Care Center (for the required level of care, Assisted Living, Skilled Care or Memory Care). Residents directly admitted to the Health Care Center shall complete a separate Direct Admission Agreement and applications as required by the Provider and North Carolina licensure statutes. The Co-Resident or spouse of a Resident who qualifies for direct admission shall continue to be governed by the terms of the Residence and Services Agreement as a single occupant of the Residence.

If the Resident experiences a subsequent change in health status that would allow the Resident to again qualify for admission to an independent residence, the Resident shall be allowed to apply for admission into any vacant independent residence that the Resident qualifies for. If the resident has a spouse or significant other, the resident will then pay the second person fee for the residence occupied. If the resident is single and there are no residences available that the resident qualifies for, the resident will be put on a wait list for admission to such residence according to the Priority Number assigned to the Resident upon entering the Residence and Services Agreement.

B. Cancellation/Termination

1. **Cancellation of Contract Prior to Occupancy:** The 10% deposit under the Residence and Services Agreement, Section VI., makes the following provisions regarding cancellation:

a. Termination by Resident Prior to Occupancy. The Residence and Services Agreement may be terminated by the Resident for any reason prior to occupancy by giving written notice to Provider. In the event of such termination, the Resident shall receive a refund of the 10% Deposit paid by the Resident, less any expenses incurred by The Village and less a nonrefundable fee equal to 2% of the total amount of the selected Entrance Fee option.

If a resident dies before occupying the Residence, or if, on account of illness, injury, or incapacity, a resident would be precluded from occupying the Residence under the terms of the Residence and Services Agreement, the Residence and Services Agreement is automatically canceled. The nonrefundable fee (equal to 2% of the total amount of the selected Entrance Fee option) will not be charged, however, if such termination is because of death of a Resident, or because the Resident's physical, mental or financial condition makes the Resident ineligible for entrance to The Village.

Any such refund shall be paid by The Village within sixty (60) days following receipt of notification of such termination. Provider requires that such notification be in writing.

b. Termination by The Village. The Village at Brookwood may terminate the Residence and Services Agreement prior to occupancy if there has been a material misrepresentation or omission made by the Resident in the Resident's information provided prior to Residency, within the Personal Health History, or the Confidential Financial Statement; or if the Resident's financial status changes such that Resident no longer meets The Village's financial requirements for residency. In the event of termination for any such causes, the refund of the Entrance Fee paid by the Resident shall be determined in the manner described in Section III.C. below (Entrance Fee Plans).

2. Cancellation of Contract Pursuant to Occupancy and Termination Other Than Death: The Residence and Service Agreement, in, Section VI., makes provisions for cancellations and terminations after the Resident occupies a residence, as follows:

a. Voluntary Termination after Occupancy. At any time after occupancy, the Resident may terminate the Residence and Services Agreement by giving Provider thirty (30) days written notice of such termination. Such notice effectively releases the Residence to The Village. Any refunds of the Entrance Fee due to the Resident shall be calculated based upon the Entrance Fee option chosen by the Resident and as described in Section III.C. Any refund due the Resident under this paragraph will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.

b. Termination upon Death. In the event of death of the Resident at any time after occupancy, the Residence and Services Agreement shall terminate and the refund of the Entrance Fee paid by the Resident shall be calculated based upon the Entrance Fee option chosen by the Resident and as described in Section III.C. Any refund due to the Resident's estate will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.

c. Termination by The Village. The Village may terminate this Agreement at any time if there has been a material misrepresentation or omission made by the Resident in the Resident's Application for Admission, Personal Health History, or Confidential Financial Statement; if the Resident fails to make payment to Provider of any fees and charges due The Village within sixty (60) days of the date when due; or if the Resident does not abide by the rules and regulations adopted by Provider or breaches any of the terms and conditions of this Agreement. Any refunds of the Entrance Fee due to the Resident shall be calculated based upon the Entrance Fee option chosen by the Resident and as described in Section II.A. Any refund due the Resident under this paragraph will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.

3. Rescission Period. Notwithstanding anything herein to the contrary, this Agreement may be rescinded by the Resident giving written notice of such rescission to The Village within thirty (30) days following the later of the execution of this Agreement or the receipt of the Disclosure Statement that meets the requirements of Section 58-64-25, et.seq. of the North Carolina General Statutes. In the event of such rescission, the Resident shall receive a refund of the Entrance Fee paid by the Resident, less 2%. The Resident shall not be required to move into The Village before the expiration of such thirty (30) day period. Any such refund shall be paid by The Village within sixty (60) days following receipt of written notice of rescission pursuant to this paragraph.

C. Entrance Fee Plans

Four Entrance Fee Plans are available to the Resident according to the terms listed below. The Entrance Fee Refund Plan is chosen by the Resident and may be changed up to the date of payment of the final balance.

1. **Standard Life Care** Entrance Fee (less an initial 6% nonrefundable fee) accrues to The Village at a rate of 2% per month of occupancy or portion thereof for 47 months. The Resident will be due a refund of the Entrance Fee less: 2% thereof for each month of occupancy, plus any costs owed to The Village by the Resident, plus the amount necessary to restore the Residence to an acceptable condition except for reasonable wear and tear to the Residence. Refunds will be payable to the Resident at such time as such Resident's Residence shall have been reserved by a prospective Resident and such prospective Resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs.

2. **Life Care 50% Refundable** Entrance Fee (less an initial 6% nonrefundable fee) accrues to The Village at a rate of 2% per month of occupancy or portion thereof for 22 months until 50% of the entrance Fee has been accrued by The Village. Thereafter, any refund to the Resident will be guaranteed at 50% of the Entrance Fee originally paid less a sum equal to any costs owed to The Village by the Resident, plus the amount necessary to restore the Residence to an acceptable condition except for reasonable wear and tear to the Residence. Refunds will be payable to the Resident at such time as such Resident's Residence shall have been reserved by a prospective Resident and such prospective Resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs.

3. **Life Care 90% Refundable** Entrance Fee (less an initial 6% nonrefundable fee) accrues to The Village at a rate of 2% per month of occupancy or portion thereof for 2 months until 10% of the Entrance Fee has been accrued by The Village. Thereafter, any refund to the Resident will be guaranteed at 90% of the Entrance Fee originally paid less a sum equal to any costs owed to The Village by the Resident, plus the amount necessary to restore the Residence to an acceptable condition except for reasonable wear and tear to the Residence. Refunds will be payable to the Resident at such time as such Resident's Residence shall have been reserved by a prospective Resident and such prospective Resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs.

4. **Standard Fee for Service.** The Entrance Fee (less an initial 6% nonrefundable fee) accrues to The Village at a rate of 2% per month of occupancy or portion thereof for 47 months. The Resident will be due a refund of the Entrance Fee less: 2% thereof for each month of occupancy, plus any costs owed to The Village by the Resident, plus the amount necessary to restore the Residence to an acceptable condition except for reasonable wear and tear to the Residence. Refunds will be payable to the Resident at such time as such Resident's Residence shall have been reserved by a prospective Resident and such prospective Resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. The Residence and Services Agreement for this type of contract outlines the services that are included in the fees (Section V. of the Disclosure Statement applies to this type of contract). All Healthcare Services are provided at the prevailing per diem rate. Medicare and approved insurances may be used to pay for these services, however,

when Medicare and insurances do not provide coverage the resident will be charged the per diem rate.

D. Moves and Transfers

The Residence and Services Agreement outlines the policies for transfers in Section V, "Transfers or Changes in Levels of Care," and should be consulted for a complete description of the policy concerning moves and transfers. The Resident may transfer from one Independent Living Residence to another or from an Independent Living Residence to the Health Care Center for Assisted Living, Memory Care or Nursing Services. Section V. of the Residence and Services Agreement makes the following provisions:

Voluntary Transfer between Independent Residences. The Resident may transfer from one independent Residence to another. The Resident shall comply with The Village's current Resident Transfer Advantage Program for selection of such Residence. There may be a refurbishment fee (for the residence being vacated) charged for such a transfer.

1. **Transfer of Resident to a Larger Residence.** If the Resident elects to transfer to a larger Residence, an additional Entrance Fee (according to the Entrance Fee Refund Option selected with the Date of Occupancy) equal to the difference between the Entrance Fee for the smaller Residence and the Entrance Fee for the larger Residence will be due to The Village. The Resident will also pay the Monthly Service Fee associated with the larger Residence.

2. **Transfer of Resident to a Smaller Residence.** The Resident may elect to transfer to a smaller Residence and pay the current monthly service fee for that Residence. The transfer to a smaller Residence shall not result in any entrance fee refund.

Transfer to the Health Care Center. The Resident agrees that Provider shall have authority to determine that the Resident be transferred from one level of care to another level of care within The Village. Such determination shall be based on the professional opinion of Medical Director and shall be made after reasonable efforts to consult with the Resident or the Resident's chosen and legal representative.

Transfer to Hospital or Other Facility. If it is determined by Provider that the Resident needs care beyond that which can be provided by The Village, the Resident may be transferred to a hospital or institution equipped to give such care; such care will be at the expense of the Resident. Such transfer of the Resident will be made only after consultation to the extent possible with the Resident, or a representative of the Resident's family.

Surrender of Residence. If a determination is made by Provider that any transfer as described above is likely to be permanent in nature, the Resident agrees to surrender the Residence upon such transfer. The Provider shall continue charging the monthly fees until such time that the unit is vacated. If Provider subsequently determines that the Resident can resume occupancy in a Residence or accommodation comparable to that occupied by

the Resident prior to such transfer, the Resident shall have priority to such residence as soon as it becomes available.

E. Addition of a Co-Resident or Marriage

When a single Resident occupies a Residence in which The Village policy permits double occupancy, the Resident can allow another person to share occupancy of the Residence. The Village requires the new Resident to qualify for acceptance under the current Residence and Services Agreement type and refund option as the primary Resident.

F. Financial Assistance

Section VIII. of the Residence and Services Agreement makes the following provision for financial assistance:

> Provider declares that it is the intent of The Village to permit a Resident to continue to reside at The Village if the Resident is no longer capable of paying the prevailing fees and charges of The Village as a result of financial reversals occurring after occupancy, provided such reversals, in Provider's judgment, are not the result of willful or unreasonable dissipation of the Resident's assets. In the event of such circumstances, Provider will give careful consideration to subsidizing the fees and charges payable by the Resident so long as such subsidy can be made without impairing the ability of Provider to operate on a sound financial basis. Any determination by Provider with regard to the granting of financial assistance shall be within the sole discretion of Provider.

IV. SERVICES - Life Care: Standard, 50% and 90% Refundable

A. Standard Services Available

The Village at Brookwood is a full-service continuing care retirement community. Residents will pay a one-time Entrance Fee and a Monthly Service Fee. The fees are designed to cover virtually all living expenses incurred by Residents of The Village. The Monthly Service Fee covers the following basic services:

- one meal, per person, per day (at the choice of Resident during the month)
- weekly housekeeping
- maintenance of the residence
- maintenance of grounds and landscaping
- regularly scheduled local transportation including local medical appointments
- planned social and recreational activities
- all utilities (electric, gas, water and sewer)
- cable television (basic)
- high speed internet services (WIFI)
- 24-hour emergency call service and response
- 24-hour security services
- personal emergency pendants

- electronic check-in
- trash removal
- parking
- assistance with filing insurance claims
- assistance with transfer to hospitals or other special care facilities
- life care health care services

B. Services for an Extra Charge

Services that will require additional payment include:

- additional meals
- meal delivery to residence
- charges for special activities or trips
- personal parties or group events in the Community Center
- special, personal or group trip transportation
- beauty salon and barber shop services
- guest accommodations
- telephone including long distance
- expanded cable television
- charges for selected clinic health care services and wellness program activities
- charges for temporary health care services (more than 14 days a year in a healthcare accommodation) not covered by Medicare or other Insurance.

C. Absences

Residents away from The Village at Brookwood for fourteen (14) consecutive days or more, and who make arrangements in advance with The Village (excluding hospitalizations), will be credited with a current published dining services credit determined by The Village.

D. Health Care Services Available

Section I.G.13 of the Residence and Services Agreement outlines the services available in The Village at Brookwood Health Care Center. The payment for such services will be found in Section II. of the Residence and Services Agreement.

The Health Care Center includes licensed Assisted Living, Assisted Living Memory Care, and Skilled Nursing accommodations. A primary care clinic is located on site for use by Residents during scheduled hours.

The Life Care Benefit is the rate paid for residency in the Health Care Center. The rate at the time of transfer will apply to Assisted Living, Assisted Living Memory Care and Skilled Nursing accommodations.

The clinic will provide services such as certain examinations, consultations, checks, treatments and tests, as authorized by the staff and the Medical Director, and the cost of certain services may be the responsibility of the Resident as described in Section I.G.13(b) of the Residence and Services Agreements.

V. SERVICES – Fee for Service: Standard

A. Standard Services Available

The Village at Brookwood is a full-service Continuing Care Retirement Community. Residents will pay a one-time Entrance Fee and a Monthly Service Fee. The Monthly Service Fee covers the following basic services:

- 15 meals per person, per month
- housekeeping every other week
- maintenance of the residence
- maintenance of grounds and landscaping
- regularly scheduled local transportation
- planned social and recreational activities
- all utilities (electric, gas, water and sewer)
- cable television (basic)
- high speed internet service (WIFI)
- 24-hour emergency call service and response
- 24-hour security services
- personal emergency pendants
- electronic check-in
- trash removal
- parking
- assistance with filing insurance claims
- assistance with transfer to hospitals or other special care facilities
- health care services at the per diem rate

B. Services for an Extra Charge

Services that will require additional payment include:

- additional meals
- meal delivery to residence
- additional housekeeping services
- charges for special activities or trips
- personal parties or group events in the Community Center
- special, personal or group trip transportation
- beauty salon and barber shop services
- guest accommodations
- telephone including long distance
- expanded cable television
- charges for selected clinic health care services and wellness program activities

- charges for temporary health care services not covered by Medicare or Long Term Care Insurance

C. Health Care Services Available

Section I.G.13 of the Residence and Services Agreement (Fee for Service) outlines the services available in The Village at Brookwood Health Care Center, and payment for such services is set forth in Section II. F.1-2.

The Health Care Center includes licensed Assisted Living, Memory Care, and Skilled Nursing accommodations. A health clinic is located on-site for use by Residents during scheduled hours. All charges for health care related services will be at the per diem rate.

The clinic will provide services such as certain examinations, consultations, checks, treatments and tests, as authorized by the staff and the Medical Director, and the cost of certain services may be the responsibility of the Resident as described in Section I.G.13(b) of the Residence and Services Agreement.

VI. FEES

A. Residency Fees

Persons applying for residency will choose a type of residence and make a 10% deposit of the Entrance Fee (the amount of which is determined by both the residence type and the Entrance Fee Refund Option). Applications for residency will be provided and completed to determine eligibility. Once approved for residency, a Resident will be guaranteed admission to The Village regardless of change in their health status. If a Resident requires nursing services prior to being able to live independently in a Residence, as determined by The Village, they will be subject to the terms outlined in Section III.D of the Residence and Services Agreement, "Direct Admission to Health Care Center." The monthly fee is the prevailing Fee for Service per diem rate.

All funds are held in escrow and are refundable under the terms outlined in the Residence and Services Agreement.

B. Entrance Fee and Monthly Service Fee

The Village requires that two fees be paid for residency: an Entrance Fee and a Monthly Service Fee. These fees are reviewed annually to ensure the financial viability of the organization.

C. Health Care Center Fees – Life Care: Standard, 50% and 90% Refund

Health Care Center revenues are generated from services to Residents transferring from residential living areas, or Residents admitted directly into a nursing bed due to health condition changes since approved for residency in Independent Living.

Residents transferring from residential living areas to the Health Care Center on a permanent or temporary basis will be charged the Life Care Benefit rate at the time of transfer.

Fourteen (14) days of qualified respite care are available to Life Care Residents on an annual basis. This benefit applies to skilled nursing only.

D. Health Care Center Fees – Fee for Service

Charges for Health Care Services will be billed at the per diem rate. In addition to the Health Care fee and ancillary charges as described in Section II.F.1 of the Residence and Services Agreement, the resident will be charged the rate for the healthcare residence they occupy.

E. Fee Change Policies

The Residence and Services Agreement, Section II.D., makes the following provisions regarding the periodic adjustment of fees:

> "The Monthly Fee provides for the facilities, programs, and services described in this Agreement and is intended to meet the cost of the expenses associated with the operation and management of The Village. The Village shall have the authority and discretion to adjust the Monthly Fee during the term of this Agreement to reflect increases and changes in costs of providing the facilities, programs, and services described herein consistent with operating on a sound financial basis and maintaining the quality of services provided to Residents. At least a thirty (30) day notice will be given to the Resident before any adjustment in fees or charges."

F. Changes in Fees for the Previous Five Years

LIFE CARE

		2017	2018	2019	2020	2021
Apt. Residences	**Sq. Feet**					
Azalea	826	$2,445	$2,519	$2,607	$2,705	$2,786
Birch	1113	$2,659	$2,739	$2,835	$2,941	$3,029
Camellia	1206	$2,908	$2,995	$3,100	$3,216	$3,312
Dogwood	1352	$3,155	$3,250	$3,364	$3,490	$3,595
Elm	1596	$3,422	$3,524	$3,647	$3,784	$3,898
Garden Home Residences						
Holly	1692	$3,735	$3,847	$3,982	$4,131	$4,255

Magnolia/ Maple	1892	$3,909	$4,026	$4,167	$4,323	$4,453
Oak	1965	$4,021	$4,142	$4,287	$4,448	$4,581
Co-Resident		$1,190	$1,225	$1,268	$1,315	$1,354

FEE FOR SERVICE

Apt. Residences	**Sq. Feet**	2017	2018	2019	2020	2021
Azalea	826	$1,845	$2,115	$2,189	$2,271	$2,339
Birch	1113	$2,058	$2,335	$2,417	$2,507	$2,582
Camellia	1206	$2,305	$2,589	$2,680	$2,780	$2,863
Dogwood	1352	$2,552	$2,869	$2,969	$3,081	$3,173
Elm	1596	$2,820	$3,145	$3,255	$3,377	$3,478

Garden Home Residences	**Sq. Feet**	2017	2018	2019	2020	2021
Holly	1692	$2,361	$3,172	$3,283	$3,406	$3,508
Magnolia/ Maple	1892	$2,535	$3,376	$3,494	$3,625	$3,734
Oak	1965	$2,648	$3,493	$3,615	$3,751	$3,864
Co-Resident		$527	$708	$733	$760	$783

G. Historic Changes in Major Fees

The following table shows average changes in the monthly service fees. Note that it is the average dollar amount of the CHANGE in fees from year to year that is shown – NOT the fees themselves. All fee increases were historically done on January 1st each year. Effective October 1st, 2016, and going forward, fee increases will coincide with our fiscal year (October 1st through September 30th). In addition, the table below reflects daily Healthcare room charges for each fiscal year.

Life Care	**2016-2017**	**2017-2018**	**2018-2019**	**2019-2020**	**2020-2021**
Monthly Service Fees					
Resident ($s per month)	$96	$99	$118	$131	$109
Co-Resident ($s per month)	$35	$35	$43	$47	$39
Approx. Percentage Increase	3.0%	3.0%	3.5%	3.75%	3.0%
Healthcare Room Charges	$120	$124	$128	$133	$137

Fee For Service

Monthly Service Fees					
Resident ($s per month)	$70	$72	$101	$112	$93
Co-resident ($s per month)	$15	$16	$25	$27	$23
Approx. Percentage Increase	3.0%	3.0%	3.5%	3.75%	3.0%
Healthcare Room Charges					
Assisted Living	$141	$243	$204	$212	$187
Memory Care	$183	$314	$264	$274	$242
Skilled Nursing	$254	$437	$367	$382	$336

H. Miscellaneous Ancillary Charges

Additional charges may apply depending on the service received or the Residence and Services Agreement that was selected. Each September The Village distributes a Miscellaneous Rate Adjustment Memo to all residents for the following year.

VII. FINANCIAL INFORMATION

A. Overview

The Village financed the construction, equipment and initial working capital for the project with tax-exempt revenue bonds issued through the North Carolina Medical Care Commission ($32,560,000 Series 2001A (Fixed Rate), $8,500,000 Series 2001B (Adjustable Rate) and $17,000,000 Series 2001C (Variable Rate)). Initial seed and development funding was provided by Alamance Regional Medical Center, Inc., and $4 million was repaid to Alamance Regional Medical Center, Inc. at the closing of the 2001 tax-exempt revenue bond issue. A $3 million subordinated interest free loan with Alamance Regional Medical Center was reflected in the financial reports from 2001-2013. This intercompany loan was forgiven in March 2014 and is no longer shown in the financial statements.

The Series 2001C Bonds were retired on January 2, 2007. In connection with the retirement of the Series 2001C Bonds, a $3 million loan (20-year amortization with a 2 year payback) was attained from Branch Banking and Trust Company (the "Bank Loan") in December 2006 to assure adequate cash flow following such retirement.

In May of 2007, The Village refunded $11,960,000 of the Series 2001A Bonds, all of the Series 2001B Bonds and retired the Bank Loan through the issuance of $29,280,000 fixed rate tax-exempt refunding revenue bonds (the "Series 2007 Bonds"). BB&T Capital Markets in Richmond, Virginia served as underwriter for the Series 2007 Bonds.

The Alamance Extended Care Series 2001 and 2007 bonds were redeemed by Cone Health in two transactions. The 2001 bonds were redeemed in July 2013 and the 2007 bonds were redeemed in November 2013. Alamance Extended Care, Inc., no longer has debt. Cone Health, the parent company issued tax exempt bonds to refinance the outstanding debt.

A Promissory Note for $2.5 million was approved in 2008 by the Board of Directors of Alamance Extended Care, Inc. and the Board of Directors of Alamance Regional Medical Center to develop a Wellness Center on the campus of The Village at Brookwood. The Wellness Center includes exercise rooms, a pool and locker rooms. This was a 0% interest note, with the indebtedness due in full by January 2, 2032. As part of the agreement, the patients of Alamance Regional Medical Center receiving aquatic therapy will have the right to use the Wellness Center during specified times and under the direct care of a therapist. Alamance Regional is not charged for the use of the pool. In March 2014, this loan was forgiven and is no longer reflected in the financial statements.

B. Residents with Continuing Care Contracts

As of September 30, 2020, there were a total of 246 residents receiving continuing care services. There were 202 residents in Independent Living, 22 in Assisted Living and 22 in Skilled Nursing.

C. Current Financial Statements

The Village at Brookwood began operations on July 21, 2003. Audited financial statements for the last two full fiscal years ending September 2020 and September 2019 for Cone Health are included as Attachment A.

D. Five Year Forecasted Statement

See Attachment B for financial projection statements prepared for the fiscal years 2021-2025.

E. Material Differences between Forecasted Financial Data and Actual Results

Narrative describing material differences between forecasted financial data as shown in previous Disclosure Statement and Audited Actual Results. (Pages 28 – 31)

As of 9/30/20	Explanation: Variance of 10% or greater than $150,000 Amounts shown in Thousands				
	Audited	**Forecast**	**Variance**	**% change**	**Explanations**
CURRENT ASSETS:					
Cash and cash equivalents	10,346	6,972	3,374	32.61%	1
Patient Accounts Receivable	542				
Allowance for Uncollectibles	(259)				
Net Accounts Receivable	283	669	(386)	-136.40%	2
Supplies Inventory	23	42	(19)	-82.61%	3
Other Receivables	436	0	436		
Intercompany Receivables (Payables)	0	0	0		
Prepaid Expenses	20	262	(242)		
Other Current assets	456	262	194	42.54%	4
Total Current Assets	11,108	7,945	3,163	28.47%	
ASSETS LIMITED TO USE:					
Investments-board designated	0	0	0		
Other trustee held funds	0	0	0		
Debt Service Reserve	0	0	0		
Statutory Operating Reserve	2,711	3,420	(709)	-26.15%	5
Total	2,711	3,420	(709)		
PROPERTY, PLANT & EQUIPMENT:					
Land & Land Improvements	9,337		9,337		
Buildings & Fixed Equipment	63,560		63,560		
Movable Equipment	2,104		2,104		
Construction/Equipment in Progress	(131)		(131)		
Total Property, Plant & Equipment	74,870	58,618	16,252		
Accumulated Depreciation	(23,324)		(23,324)		
Total	51,546	58,618	(7,072)	-13.72%	6
Investments	0	2,700	(2,700)	-100.00%	7
Other Assets		31	(31)	-100.00%	8
TOTAL ASSETS	65,365	72,714	(7,349)	-11.24%	

EXPLANATIONS:

1 Cash is transferred periodically to Cone Health Treasury Management. Transfers out were less than anticipated in Forecast

2 Accounts receivable are less than forecast due to closing of Edgewood Place

CONTINUED NEXT PAGE

3 Did not see increase in Inventory as forecasted due to lower census

4 Cash was not paid at year end to close out intercompany receivables

5 DOI reserve calculation is lower due to closure of Edgewood Place; less depreciation & other expenses

6 The assets belonging to Edgewood Place were fully depreciated due to closure of the facility

7 The Village at Brookwood had no investments in 2020

8 The Village at Brookwood had no other assets at the end of 2020

As of 9/30/20	**Explanation: Variance of 10% or greater than $150,000 Amounts shown in Thousands**				
	Audited	**Forecast**	**Variance**	**% change**	**Explanations**
LIABILITIES AND NET ASSETS:					
CURRENT LIABILITIES					
Accounts Payable	368	300	68	18.48%	9
Accrued Expenses	1,938	4,348	(2,410)	-124.36%	10
Deferred Revenue	1,972	2,564	(592)	-30.02%	11
Due to Others	1,937	0	1,937	100.00%	12
COVID Grant Payable	824	0	824	100.00%	13
Total Current Liabilities	7,039	7,212	(173)	-2.46%	
LONG TERM LIABILITIES					
Deferred Revenue from Entrance Fees	8,162	5,378	2,784	34.11%	14
VALUATION WRITE DOWN DEF INC-AEC	(3,758)	0	(3,758)	100.00%	15
Refundable Fees	10,644	10,959	(315)	-2.96%	16
Other non-current liabilities	74	0	74	100.00%	17
Total Long Term Liabilities	15,122	16,337	(1,215)	-8.03%	
TOTAL LIABILITIES	22,161	23,549	(1,388)	-6.26%	
NET ASSETS:					
UNRESTRICTED NET ASSETS	42,987	48,949	(5,962)	-13.87%	18
TEMPORARILY RESTRICTED FUNDS	217	216	1	0.46%	
NET ASSETS	43,204	49,165	(5,961)	-13.80%	
LIABILITIES AND NET ASSETS	65,365	72,714	(7,349)	-11.24%	

EXPLANATIONS:

9 Accounts Payable year end accruals were higher than forecasted as payables were not paid out before 9/30/20

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10 Accrued expenses were less than forecasted for 2020 and due to others is lower than forecast. Timing of TDA annuity paid to employee retirement is the other difference

11 Higher deferred revenue in Long Term and less in Short Term at year-end due to higher than forecasted new resident occupancy

12 Due to others includes due to Cone Health and sales tax payable - not recognized in forecast due to the balance was intentionally paid off

13 No COVID Grant funds were forecasted for 2020

14 Higher deferred revenue in Long Term and less in Short Term at year-end due to higher than forecasted new resident occupancy

15 Valuation write down was required by auditors and not included in forecast

16 Refundable fees lower due to old residents have met contractual obligations fully amortized and are no longer owed refunds

17 Other non-current liabilities include deferred comp liability and Friends Advantage Program deposits

18 The net assets fell due to the write off of Edgewood Place

As of 9/30/20	**Explanation: Variance of 10% or greater than $150,000**				
	Amounts shown in Thousands				
	Audited	**Forecast**	**Variance**	**% change**	**Explanations**
Monthly Service Fees:					
Residential Living	5,660				
Health Care	6,749	12,079	330	2.66%	19
Amortization of entrance fees	1,906	1,992	(86)	-4.51%	
Investment income	0	31	(31)	-100.00%	20
Contributions and Gifts	0	0	0		
Other revenues	1,106	1,197	(91)	-8.23%	
Total Revenues, Gains and Other Support	15,421	15,299	122		
Expenses:					
Health care	3,776	4,364	(588)	-15.57%	21
Resident services	625	561	64	10.24%	22
Dietary	1,802	1,888	(86)	-4.77%	
Plant operations	1,696	1,423	273	16.10%	23
Laundry	46	55	(9)	-19.57%	24
Housekeeping	437	506	(69)	-15.79%	25
General and administrative	5,426	4,884	542	9.99%	26

CONTINUED NEXT PAGE

As of 9/30/20	Explanation: Variance of 10% or greater than $150,000 Amounts shown in Thousands				
	Audited	Forecast	Variance	% change	Explanations
Expenses:					
Health care	3,776	4,364	(588)	-15.57%	21
Resident services	625	561	64	10.24%	22
Dietary	1,802	1,888	(86)	-4.77%	
Plant operations	1,696	1,423	273	16.10%	23
Laundry	46	55	(9)	-19.57%	24
Housekeeping	437	506	(69)	-15.79%	25
General and administrative	5,426	4,884	542	9.99%	26
Interest	0	0	0		
Amortization	0	0	0		
Depreciation	9,088	3,132	5,956	65.54%	27
Total Expenses	22,896	16,813	6,083		
Operating Income (loss)	(7,475)	(1,514)	(5,961)		
Non-Operating Income:					
Gain on sale of assets	1,079	1,080	(1)		
Investment income	44	0	44		
Total Non-Operating Income	1,123	1,080	43	3.83%	
Excess of Revenue, Gains and Other Support Over Expenses	(6,352)	(434)	(5,918)		

EXPLANATIONS:

19 Census in Healthcare higher than forecasted and residential and healthcare not broken out in forecast

20 No investment income for 2020

21 Healthcare expenses down due to closure of Edgewood Place

22 Increased security due to COVID-19

23 Unexpected repairs in 2020 due to roof leaks/water damage

24 Laundry expenses decreased due to closure of Edgewood Place

25 Housekeeping expenses decreased due to closure of Edgewood Place

26 Salaries and expenses continued for Edgewood Place after facility was closed

27 The assets belonging to Edgewood Place were fully depreciated due to closure of the facility

VIII. RESERVES, ESCROW AND TRUSTS

A. Trustee-Held Funds

There are no Trustee-held funds.

B. Operating Reserves

As required by North Carolina G.S. 58-64-33:

The Village maintains operating reserves equal to twenty-five percent (25%) of the total operating costs projected for the 12-month period following the period covered by the most recent annual statement filed with the North Carolina Department of Insurance. The required forecasted statements shall serve as the basis for computing the operating reserve. In addition to total operating expenses, total operating costs will include debt service but will exclude depreciation, amortized expenses, and extraordinary items approved by the Commissioner of Insurance. The operating reserves may be funded by cash, invested cash, or investment grade securities.

The Operating Reserve Fund is held by the Corporation in an interest-bearing Certificate of Deposit accounts and the reserve can only be released for use by the provider upon written request to and approval by the Commissioner of Insurance.

C. Board Designated Funds

The Board has established a resident assistance fund to be used at the discretion of the Executive Director and the Board of Directors to provide financial assistance to Residents who are unable to meet their financial responsibilities.

D. Investment Accounts

The Village does not maintain investment accounts. All bank accounts are managed by Cone Health. Cone Health's investments are managed by an Investment Committee led by an Investment Manager in the Corporate Office.

IX. FACILITY DEVELOPMENT OR EXPANSION

The initial construction of The Village at Brookwood consisted of 155 residential living residences (110 apartments and 45 garden homes) and 48 health care residences. The Wellness Center that includes exercise rooms, pool, Jacuzzi and locker rooms opened in May 2009. The site has been master planned to allow the addition of garden home residences, apartment residences and additional healthcare residences. Construction of two maple garden homes was completed January 2019.

X. RESIDENCE AND SERVICES AGREEMENTS

The Residence and Services Agreements (Standard Life Care, 50% and 90% refund; and Standard Fee for Service) are attached (Attachments D and E). All persons interested in residency at The Village at Brookwood should carefully review the selected Agreement.

The Village at Brookwood continually monitors the trends and new developments related to Residence and Services Agreements in the market. As new options become available and reviewed by management and approved by the Board of Directors, they will be submitted to the Department of Insurance for approval.

XI. MISCELLANEOUS

A. Marketing Incentives

Throughout the marketing of The Village at Brookwood, various incentives have been employed at times. Some of the initial Residents (referred to as "Founders' Club") were provided with financial (in the form of credits) and other incentives at the time of move-in to the Community. Other Residents were encouraged to reserve their residence with a Ten Percent (10%) Deposit even if they were uncertain as to their being ready at the time of opening (the "Ready List"); they were assured that they could leave their deposit with the Community and obtain a priority for future move-in when they decide to move in. There are several residence and services agreements that are no longer offered.

The Village at Brookwood reserves the right to offer at any time the same or similar incentives or any other incentives it may decide.

B. Wait List

The Wait List is called the Friends Advantage Program (FAP). Prospective residents will sign an agreement and make a $1,200 deposit ($200 of which is non-refundable) that will initiate the assignment of a reservation priority number for the purpose of holding a place in line for future availability of any residence that is not then-currently available. The Village will contact the prospective resident by order of reservation priority number and according to the choice of residence preferred when such a residence becomes available. Once notified of availability and the prospective resident has accepted the residence, then the Reservation Agreement must be completed, and a 10% entry fee deposit must be made.

Attachment A
Audited Financial Statements

The Moses H. Cone Memorial Hospital and Affiliates

Consolidated Financial Statements as of and for the Years Ended September 30, 2020 and 2019, Consolidating Supplemental Schedules as of and for the Year Ended September 30, 2020 and Independent Auditors' Report

THE MOSES H. CONE MEMORIAL HOSPITAL AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The Moses H. Cone Memorial Hospital:

We have audited the accompanying consolidated financial statements of The Moses H. Cone Memorial Hospital and affiliates (dba Cone Health) (the "Health System"), which comprise the consolidated balance sheets as of September 30, 2020 and 2019, the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Health System as of September 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, effective October 1, 2019, the Health System has adopted Accounting Standards Codification ("ASC") Topic 842, *Leases: Amendments to the FASB Accounting Standards Codification* ("ASC 842"), using the optional modified retrospective transition method. Also effective October 1, 2019, the Health System has adopted Accounting Standards Update ("ASU") No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01") on a prospective basis, and as a result of the adoption of ASU 2016-01, the Health System recorded a cumulative-effect adjustment of $66 million as of October 1, 2019, which is reflected in net assets without donor restrictions on the consolidated balance sheet. Our opinion is not modified with respect to these matters.

Report on Consolidating Supplemental Schedules

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplemental schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. These consolidating supplemental schedules are the responsibility of the Health System's management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such consolidating supplemental schedules have been subjected to the auditing procedures applied in our audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such consolidating supplemental schedules directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such consolidating supplemental schedules are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Deloitte & Touche LLP

January 26, 2021

THE MOSES H. CONE MEMORIAL HOSPITAL AND AFFILIATES

CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2020 AND 2019
(In thousands of dollars)

	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 328,671	$ 43,644
Short-term investments	26,688	63,533
Patient accounts receivable	175,625	233,367
Inventories	39,414	36,781
Assets limited as to use—required for current liabilities	6,674	7,073
Other current assets	89,317	72,546
Total current assets	666,389	456,944
LONG-TERM INVESTMENTS	959,659	831,134
ASSETS LIMITED AS TO USE—Net of portion required for current liabilities	233,432	231,091
INVESTMENTS IN UNCONSOLIDATED AFFILIATES	51,799	62,335
PROPERTY AND EQUIPMENT—Net	1,180,858	1,185,326
RIGHT OF USE ASSETS—Operating leases—net	70,582	
RIGHT OF USE ASSETS—Finance leases—net	9,523	
GOODWILL	9,832	10,132
OTHER ASSETS	97,986	95,488
TOTAL	$ 3,280,060	$ 2,872,450
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 63,376	$ 69,163
Accrued expenses	284,847	254,830
Current portion of contract liabilities	149,407	6,515
Current portion of operating lease obligations	14,210	
Current portion of finance lease obligations	5,904	
Current portion of long-term debt	182,110	191,664
Total current liabilities	699,854	522,172
LONG-TERM DEBT—Net of current portion	445,762	457,373
CAPITAL LEASE OBLIGATIONS—Net of current portion		8,595
OPERATING LEASE OBLIGATIONS—Net of current portion	59,406	
FINANCE LEASE OBLIGATIONS—Net of current portion	3,841	
LONG-TERM CONTRACT LIABILITIES—Net of current portion	15,047	15,516
OTHER NONCURRENT LIABILITIES	128,524	101,833
Total liabilities	1,352,434	1,105,489
NET ASSETS:		
Without donor restrictions:		
Moses H. Cone Memorial Hospital and Affiliates	1,909,647	1,758,283
Noncontrolling interests	2,634	(6,286)
Total net assets without donor restrictions	1,912,281	1,751,997
With donor restrictions	15,345	14,964
Total net assets	1,927,626	1,766,961
TOTAL	$ 3,280,060	$ 2,872,450

See notes to consolidated financial statements.

THE MOSES H. CONE MEMORIAL HOSPITAL AND AFFILIATES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(In thousands of dollars)

	2020	2019
NET PATIENT SERVICE REVENUE	$2,011,613	$1,983,363
OTHER REVENUE	130,196	63,795
PREMIUM REVENUE	149,491	144,772
NET ASSETS RELEASED FROM RESTRICTIONS	2,294	2,572
Total operating revenue	2,293,594	2,194,502
OPERATING EXPENSES:		
Salaries and wages	853,118	805,397
Fringe benefits	257,017	253,150
Supplies	441,759	407,461
Other direct expenses	517,313	514,407
Interest expense	15,849	19,890
Depreciation and amortization	145,802	132,164
Total operating expenses	2,230,858	2,132,469
INCOME FROM OPERATIONS	62,736	62,033
NONOPERATING INCOME (EXPENSE):		
Investment income	71,143	22,704
Pension settlement expense		(75,225)
Other nonoperating income (expense)—net	15,731	(25,800)
Total nonoperating income (expense)	86,874	(78,321)
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES FROM CONSOLIDATED OPERATIONS	149,610	(16,288)
(EXCESS) OF REVENUES OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(10,385)	(2,882)
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES ATTRIBUTABLE TO MOSES H. CONE MEMORIAL HOSPITAL AND AFFILIATES	$ 139,225	$ (19,170)

See notes to consolidated financial statements.

THE MOSES H. CONE MEMORIAL HOSPITAL AND AFFILIATES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(In thousands of dollars)

	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Excess (deficit) of revenues over expenses from consolidated operations	$ 149,610	$ (16,288)
Adoption of new accounting pronouncement unrealized gain on investments	66,118	
Change in net unrealized gains and losses on investments	(44,976)	(8,392)
Pension-related changes other than net periodic benefit cost		75,225
Change in the fair value of the floating-to-fixed swap agreements	(12,289)	(23,589)
Distributions to non-controlling interest	(5,583)	(5,486)
Other changes in net assets	7,404	397
Increase in net assets without donor restrictions	160,284	21,867
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	3,945	3,812
Net assets released from restrictions	(2,294)	(2,572)
Other changes in net assets	(1,270)	479
Increase in net assets with donor restrictions	381	1,719
INCREASE IN NET ASSETS	160,665	23,586
NET ASSETS—Beginning of year	1,766,961	1,743,375
NET ASSETS—End of year	$ 1,927,626	$ 1,766,961

See notes to consolidated financial statements.

THE MOSES H. CONE MEMORIAL HOSPITAL AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(In thousands of dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 160,665	$ 23,586
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Change in net unrealized losses (gains) on investments	44,976	8,392
Adoption of new accounting pronouncement unrealized gain on investments	(66,118)	
Change in fair value of the floating-to-fixed swap agreements	12,289	23,589
Net realized (loss) gain on sale of investments	(49,107)	2,195
Depreciation and amortization	145,802	132,164
Amortization of right-of-use assets	14,792	
Pension-related changes other than net periodic pension cost		(75,225)
Asset Impairment	4,555	
Loss on disposal of property and equipment	1,595	3,679
Earnings of unconsolidated affiliates	(12,054)	(7,367)
Purchase of unconsolidated entities	(330)	
Distributions from unconsolidated affiliates	7,822	5,363
Distributions to noncontrolling interests	5,583	5,486
CMS advanced payment	140,365	
FICA deferral	20,791	
Changes in:		
Patient accounts receivable	57,742	(40,671)
Other current assets	(16,771)	(2,625)
Inventories	(2,633)	(2,321)
Accounts payable and accrued expenses	309	11,212
Lease liability due to cash payments	(11,728)	
Other operating assets	(13,116)	(11,150)
Other operating liabilities	3,176	54,195
Net cash provided by operating activities	448,605	130,502
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(142,198)	(200,770)
Proceeds from sale of property and equipment		26
Disposal of finance right-of-use assets	36	
Purchases of investments	(797,196)	(401,172)
Proceeds from sale of investments	803,338	472,678
Restriction of funds in Care-N-Care Inc.	(17,042)	8,959
Gain on sale of unconsolidated entities	15,097	
Pharmacy acquisition		(402)
Net cash used in investing activities	(137,965)	(120,681)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from debt issuances and refundable entrance fees	185,242	36,240
Repayments of debt and entrance fees refunded	(199,329)	(48,697)
Purchase of noncontrolling interest		(5,600)
Distributions to noncontrolling interests	(5,583)	(5,486)
Repayments of finance leases	(5,943)	
Payments on capital lease obligations		(4,988)
Net cash used in financing activities	(25,613)	(28,531)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	285,027	(18,710)
CASH AND CASH EQUIVALENTS:		
Beginning of year	43,644	62,354
End of year	$ 328,671	$ 43,644
SUPPLEMENTAL INFORMATION:		
Cash paid during the year for interest—net of amounts capitalized	$ 17,507	$ 19,638
Right-of-use asset additions—operating	$ 85,373	$ -
Right-of-use asset additions—finance	$ 24,708	$ -
Debt to equity conversion	$ 10,719	$ -
Property and equipment purchases in accounts payable	$ 9,282	$ 7,539

See notes to consolidated financial statements.

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Organization and Business—The Moses H. Cone Memorial Hospital (the "Parent Corporation"), a nonstock, not-for-profit, parent holding company and its affiliates: The Moses H. Cone Memorial Hospital Operating Corporation (the "Operating Corporation"); ARMC Health Care (ARMC); The Moses Cone Medical Services, Inc. ("Medical Services"); The Moses Cone Physician Services, Inc. ("Physician Services"); The Moses Cone Affiliated Physicians, Inc. (MCAP); The Wesley Long Community Health Services Inc. (WLCHS); Triad Healthcare Network, LLC (THN); The Cone Health Foundation (the "Foundation"); and The Alamance Community and Health Foundation (d/b/a "Impact Alamance") were established to provide health care services and community health programs to the residents of Guilford and Alamance Counties in North Carolina, and the surrounding regional area. The organization operates as an integrated network of health services called Cone Health (the "Health System"). The Health System seeks to provide affordable and superior health care to patients through continued expansion of acute care and nonhospital programs.

On October 1, 2012, the Health System entered into a management services agreement (the "Agreement") with Charlotte-Mecklenburg Hospital Authority, which does business as Atrium Health (Atrium) (formerly Carolinas HealthCare System). Under the Agreement, the top five executives on the leadership team became employees of Atrium, but continued to manage the Health System as a local team in Greensboro, North Carolina. The Health System reimbursed Atrium for the salary and benefits costs of these executives. The terms of the Agreement also called for the Health System to pay Atrium an annual management fee based on a percentage of net revenue. The Health System continued to be governed by its local and independent board of trustees.

Effective October 1, 2019, the Health System and Atrium signed a resolution agreement with the intent to change the relationship between the parties (the "Resolution Agreement"). The Agreement was amended and restated to a new relationship arising from a services agreement (the "Service Agreement"). As a condition to the effectiveness of this Resolution Agreement, the Service Agreement terminates and supersedes the Agreement as set forth in the Services Agreement. The top four executives of the Health System are employees of the Health System effective January 1, 2020. The annual management fee will be a flat annual fee.

In May of 2016, the Operating Corporation entered into a management services agreement with Randolph Hospital, Inc. ("Randolph"), a North Carolina not-for-profit corporation located in Asheboro, North Carolina. Operating Corporation provides management assistance and support for an annual management fee based on a percentage of Randolph's annual net revenue. Randolph continues to be governed by its local and independent Board of Trustees. In October 2020, American Healthcare Systems' bid to acquire substantially all of Randolph's operating assets has received bankruptcy court approval.

On August 12, 2020, the Health System announced that it has signed a member substitution letter of intent to merge with Norfolk, Virginia based Sentara Healthcare. The merger is intended to create a combined organization with a value-based approach focused on keeping people healthy and well, while providing high-quality, accessible and affordable health care.

The Parent Corporation—The Parent Corporation was founded through a trust established by Mrs. Bertha Lindau Cone as a memorial to her late husband, Mr. Moses H. Cone. Following the death of Mrs. Bertha Lindau Cone, the cornerstone of The Moses H. Cone Memorial Hospital was laid on May 2, 1951, and the facility opened with 53 beds on February 25, 1953, in Greensboro, North Carolina. In 1985, the Parent Corporation reorganized and created the Operating Corporation to operate its health care facilities and provide health care services to the community. The Parent Corporation retained the real estate and other noncurrent assets, while the current assets and liabilities were transferred to the Operating Corporation. The real property is leased to the Operating Corporation pursuant to a lease of 10 years. The lease was renewed effective October 1, 2017, for a one-year term with an automatic renewal clause.

The assets of the Parent Corporation primarily include an investment portfolio and the hospitals' land, buildings, and fixed equipment. Additionally, the Parent Corporation holds the long-term debt and reports the related activity associated with financing certain hospital expansion projects. The majority of cash and investments held by the Parent Corporation have been invested in securities for the purpose of funding future capital requirements. Certain assets have been classified as noncurrent in the accompanying consolidated balance sheets due to these designations.

The Operating Corporation—Acute care hospital services are provided to the community by The Moses H. Cone Memorial Hospital, Wesley Long Hospital, The Cone Behavioral Health Hospital, and Annie Penn Hospital. In February 2020, The Women's Hospital of Greensboro closed and moved into the new Cone Health Women's & Children's Center on the campus of The Moses H. Cone Memorial Hospital. The former Women's Hospital of Greensboro campus was repurposed in April 2020 to care for severely ill COVID-19 patients on a temporary basis.

In addition to services at the hospitals, the Operating Corporation includes long-term care services through Penn Nursing Center, oncology services at Cone Health Cancer Center, various outpatient services at MedCenter operations in Kernersville and High Point, outpatient rehabilitation services, retail pharmacy services, wellness services, and various physician office practices. Annie Penn Hospital receives support from a foundation, the Annie Penn Memorial Hospital Foundation.

ARMC—ARMC was founded primarily to coordinate and support the delivery of health services in Alamance County, North Carolina, and the surrounding area. The not-for-profit affiliates of the corporation include Alamance Regional Medical Center, Inc., a not-for-profit acute care hospital; ARMC Physicians Care, Inc., a 8-practice physician group entity; Alamance Extended Care, Inc. (AEC), a continuing care retirement community which includes accommodations and services at various levels of care—independent living, assisted living, and skilled nursing care; and ARMC Foundation, Inc., a charitable foundation. The Parent Corporation became the sole member of the ARMC entities effective May 1, 2013. On July 14, 2020, AEC sold 32 skilled care licenses to an unrelated party and on July 27 AEC sold 22 skilled care licenses to an unrelated party. There are 27 skilled bed licenses remaining with AEC. Income from the sale of the licenses of approximately $1.1 million was recognized in other nonoperating expense net on the Consolidated Statements of Operations.

Medical Services, Physician Services, and MCAP—These entities provide both administrative and clinical services to support Cone Health physician-related strategic initiatives. Services provided by these entities includes numerous specialty, primary care, ancillary and hospitalist services.

THN—THN is a clinically integrated network of community physicians and the Health System organized to improve health care in Guilford County, Alamance County, and the surrounding region through care management, evidence-based medical practices, and integrated information and data systems. THN is a designated accountable care organization.

The Foundation and Impact Alamance—The Foundation operates as a charitable foundation created to support and promote community health programs in concert with the Health System. The Foundation was capitalized with $50 million received in October 1997 from the Health System and $60 million received from the Health System in April 1999. In connection with the acquisition of ARMC, the Health System established Impact Alamance with a contribution of $54 million to support and promote community health programs in Alamance County in concert with other Health System activities. The grant activities of the Foundation and Impact Alamance are not considered core to the provision of health care services and therefore are included in nonoperating expense—net in the accompanying consolidated statements of operations.

WLCHS—WLCHS is a holding company for the Health System's taxable subsidiaries, including:

Care N' Care Insurance Company of North Carolina, Inc. (CNCNC)—CNCNC was established in 2015 as an 80% owned entity licensed to provide health insurance in North Carolina, with the remaining 20% held by an unaffiliated entity. CNCNC, in partnership with THN providing patient care management functions, provides insurance coverage through a Medicare Advantage plan called "Health Team Advantage". On August 31, 2017, the Health System purchased the remaining 20% ownership in CNCNC from the noncontrolling interest holder for $17.6 million.

Wellsmith LLC—Wellsmith LLC was organized in December 2015 as a 50% owned entity for the purpose of developing and licensing of proprietary technology for a web-based chronic disease management portal and consumer application. Wellsmith LLC is reported on a consolidated basis due to the Health System's majority control of the Wellsmith LLC board of directors. As of March 12, 2020, $10.7 million of debt was converted to equity, increasing WLCHS' ownership percentage to 76.96%. See the Asset Impairment section, as well as the Subsequent Events section, for further discussion of Wellsmith LLC.

Insurance Casualty and Risk Enterprise, LTD—On August 14, 2017, the Health System created Insurance Casualty and Risk Enterprise, LTD, ("iCare"), a limited liability tax-exempt entity incorporated in the Cayman Islands, for the purpose of providing risk financing and claims management services to the Health System for medical malpractice and general liability claims up to the self-insured limit of $4 million per claim. The coverage was effective beginning October 1, 2017. iCare is domiciled in the Cayman Islands and regulated by the Cayman Islands Monetary Authority.

Principles of Consolidation—The consolidated financial statements include all subsidiaries for which the Health System has a controlling financial interest. All intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation—The consolidated financial statements of the Health System have been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles (GAAP) and with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*.

Based on the existence or absence of donor-imposed restrictions, the Health System classifies resources into two categories: without donor restrictions and with donor restrictions.

Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenses are reported as decreases in net assets without donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions that will be met either by actions of the Health System or the passage of time. These net assets include donor restricted endowments and unconditional pledges. Generally, donor-imposed restrictions of these assets permit the Health System to use all or part of the income earned on related investments only for certain general or specific purposes.

Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the consolidated statements of changes in net assets.

Contributions which impose restrictions that are met in the same fiscal year they are received are reported as increases in net assets without donor restrictions.

Operating results (change in net assets without donor restrictions) in the consolidated statements of changes in net assets reflect all transactions that change net assets without donor restrictions, except for contributions for capital improvements, investment return in excess of or less than amounts designated for current operations, nonperiodic changes in defined benefit plans, changes in the fair value of derivative financial instruments, losses on the extinguishment of debt, and certain nonrecurring items.

Use of Estimates—The preparation of consolidated financial statements in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents—Cash and cash equivalents include demand deposits and certain investments in highly liquid debt instruments with original maturities at the time of purchase of three months or less.

Short-Term Investments—Short-term investments include certain investments in mutual fund securities that are expected to be used in current operations.

Inventories—Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value. Inventories include medical and surgical supplies and pharmaceuticals.

Long-Term Investments—Investments in equity securities with readily determinable fair values, investments in common/commingled/collective trusts, and all investments in debt securities are measured at fair value in the accompanying consolidated balance sheets.

Interests in alternative investments, whose operating and financial policies the Health System's management has virtually no influence over, are measured at market value in the accompanying consolidated balance sheets. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in excess of revenues over expenses in the accompanying consolidated statements of operations. Changes in unrealized gains and losses on equity investments are included as investment income in the accompanying consolidated statements of

operations for the year ended September 30, 2020. Changes in unrealized gains and losses on equity investments are included as changes in unrestricted net assets in the accompanying consolidated statements of changes in net assets for the year ended September 30, 2019.

The Health System periodically evaluates investments that have declined below original cost to determine if the decline is other than temporary. If the investment decline in value below cost is determined to be other than temporary, the loss is recorded as a realized loss.

Assets Limited as to Use—Assets limited as to use include cash and investments held by the trustee under bond indenture agreements and certain long-term investments. The long-term investments include investments held by CNCNC required by regulators and investments designated to support and promote community health programs for the Foundation, Annie Penn Foundation, Impact Alamance, and ARMC Foundation. Assets limited as to use that are required for settlement of current liabilities are reported in current assets.

Other Current Assets—Other current assets consist primarily of third-party receivables, prepaid expenses, and sales tax receivables.

Contract liability—Contract liabilities includes Medicare advance payments under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and reservation deposits and nonrefundable portion of entrances fees paid by residents of AEC. The entrance fees vary according to the type and size of the residence and contract type. When the residents take occupancy, the nonrefundable portions are recognized as revenue based on amortization over the life expectancy of each resident in the independent living units. Previously, $6.5 million and $15.5 million were classified as accrued expense and other noncurrent liabilities, respectively, as of September 30, 2019 and have been reclassified to current portion of contract liabilities and long term portion of contract liabilities on the accompanying consolidated balance sheets.

Property and Equipment—Property and equipment are recorded at cost or, if donated, at fair market value at the date of receipt. Depreciation is recorded over the estimated useful life of each class of depreciable assets and is computed using the straight-line method for financial reporting purposes.

In accordance with Accounting Standards Codification (ASC) 360, *Property, Plant, and Equipment*, the Health System reviews its long-lived assets and certain identifiable intangibles for evidence of impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. See *Asset Impairment* below for information related to adjustments to carrying value of intangible assets in fiscal year 2020 and 2019.

In 2018, the Health System began construction on the Cone Health Women's and Children's Center at Moses Cone Hospital, a new facility for women's and children's services on the Campus of Moses Cone Hospital. Upon completion of the facility in February 2020, the Health System moved clinical operations of the Women's Hospital to the new facility. As a result of the transfer of operations out of the Women's Hospital, the Health System determined the useful life of the Women's Hospital assets would end at the end of fiscal year 2020. The Health System recorded accelerated depreciation expense associated with the new useful life of the assets of $2.7 million and $5.8 million for the years ended September 30, 2020 and 2019, respectively.

In July 2020, AEC sold a portion of their bed licenses to operate skilled nursing home beds. There is no plan to continue to operate the skilled nursing home known as Edgewood Place, which is a division of AEC. Therefore, depreciation was accelerated so that all remaining equipment and real property were fully depreciated. The depreciation on the equipment was $0.4 million and the real property was $5.4 million.

Right of Use Assets—Right of use assets represent the Health System's right to use the underlying assets for the lease term.

Goodwill—Goodwill represents the excess of purchase price over the assigned value of the net assets of acquired entities. Goodwill is assessed annually for impairment, or more frequently if events or circumstances indicate that assets might be impaired, by applying a fair value-based test. The Health System performed its annual goodwill impairment test as of September 30, 2020 and concluded there was no impairment of goodwill. During 2020, $0.3 million of goodwill was written off related to the sale of Advanced Home Care. During 2019, $0.4 million of additional goodwill was recognized from the purchase of a pharmacy that is utilized by patients and employees.

Noncontrolling Interests—Noncontrolling interests represent the minority stockholders' proportionate share of the net assets of certain consolidated subsidiaries. Revenues in excess of expenses are allocated to the noncontrolling interests in proportion to their ownership percentage and are reflected as (excess) of revenue over expenses attributable to noncontrolling interests in the consolidated statements of operations.

Impacts of COVID-19 Pandemic on Operations—In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States and the world. As a result of this pandemic and in an effort to preserve resources for patients infected with COVID-19, the Health System ceased elective surgeries from mid-March to May 2020, resulting in significant unexpected revenue declines during that period.

The CARES Act provided funding to the Department of Health and Human Services (DHHS) Public Health and Social Services Emergency Fund (Relief Fund), which provided funds to qualifying healthcare providers treating COVID-19 patients to replace lost revenues or reimburse for COVID-19 related costs. The Health System received approximately $58.3 million and recorded approximately $52.2 million of revenue from the Relief Fund within Other Revenue in the accompanying consolidated statements of operations in fiscal year 2020. The unrecognized funds are recorded in current portion of contract liability in the accompanying consolidated balance sheets. Qualifying Relief Fund payments are not subject to repayment but there are certain terms and conditions that must be met in order to qualify for the grant funds. The Health System applied the guidance that was in effect at September 30, 2020. Additionally, DHHS Centers for Medicare and Medicaid Services (CMS) provided approximately $140.4 million of Medicare advance payments to the Health System, which are recorded in cash and current portion of contract liability in the accompanying consolidated balance sheets; these advances will be recouped on remittances within one year of receipt.

The Federal Emergency Management Agency (FEMA) provided funding through the State of North Carolina to reimburse certain non-profit entities for actions due to the COVID-19 pandemic to save lives or protect public health and safety. The Health System recorded approximately $9.6 million from FEMA, which was recorded in Other Revenue in the accompanying consolidated statements of operations, in fiscal year 2020.

The coronavirus pandemic continues to evolve, therefore the future impact to financial and operating results cannot be reasonably estimated at this time. However, should the pandemic intensify, the Health System may experience supply chain disruptions, including delays and price increases in equipment, pharmaceuticals and medical supplies due to the pandemic. Staffing, equipment and pharmaceuticals and medical supplies shortages may impact our ability to admit and treat patients. The Health System has incurred, and may continue to incur, increased expenses arising from the COVID-19 pandemic, including additional supply chain and other expenditures.

Net Patient Service Revenue—Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care—The Health System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Health System does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue.

Other Revenue—Other revenue consists of cafeteria revenue, child care center revenue, contract pharmacy revenue, lease income and other non-patient-related revenues. Additionally, revenues on restricted grant funds are recognized only to the extent of expenditures that satisfy the restricted purpose of these grants. For the year ended September 30, 2020, grant revenue of $65.6 million, which includes $61.8 million COVID-19 funds described above, is included in other revenue in the accompanying statements of operations. For the year ended September 30, 2019, grant revenue of $4.9 million is included in other revenue in the accompanying consolidated statements of operations.

Premium Revenue—CNCNC generates premium revenue from members enrolled in its Medicare Advantage Plan and the related revenue is recognized in the month in which members receive health care services.

Claims Expense—Claims expense related to insurance coverage offered by CNCNC is recognized in the period in which services are provided and includes an actuarially determined estimate of the cost of services which have been incurred but not yet reported (IBNR). Claims expense totaled $128.1 million and $113.3 million for the years ended September 30, 2020 and 2019, respectively, and is included in other direct expenses in the accompanying consolidated statements of operations.

The liability for unpaid health claims and IBNR was $16.0 million and $16.2 million as of September 30, 2020 and 2019, respectively, and associated medical claims payable was $0.5 million and $0.9 million as of September 30, 2020 and 2019, respectively. These balances are included in accrued expenses in the accompanying consolidated balance sheets. Such estimates are based on the most current historical claims experience of previous payments, changes in number of members, and estimates of health care trend (cost, utilization, and intensity of services) changes. Revisions in the estimate of IBNR claims are reflected in the accompanying consolidated statements of operations in the year the changes occur.

Grant Expense—The Foundation and Impact Alamance record grants as expense in the period in which the grants are authorized. Grant expense incurred by the Foundation and Impact Alamance of approximately $1.8 million and $2.7 million in fiscal years 2020 and 2019, respectively, is included in other nonoperating income (expense)—net in the accompanying consolidated statements of operations.

Estimated Malpractice Costs—The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred, but not reported. These costs are included in accrued expenses and other noncurrent liabilities on the accompanying consolidated balance sheets.

Excess (Deficit) of Revenues over Expenses—Changes in net assets without donor restrictions, which are excluded from excess (deficit) of revenues over expenses, include inherent contributions, unrealized gains and losses on investments and hedging derivative instruments, permanent transfers of assets to and from affiliates for other than goods and services, pension-related changes other than net periodic pension cost, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Income Taxes—All Health System entities, with the exception of WLCHS, its subsidiaries and iCARE, have been recognized by the Internal Revenue Service as tax exempt under Internal Revenue Code 501(c)(3). As of September 30, 2020, and 2019, the Health System had no uncertain tax positions under Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*, requiring adjustments to its consolidated financial statements. The Health System does not expect that unrecognized tax benefits will materially increase within the next 12 months. Interest and penalties related to uncertain tax positions, if any, would be reported in the consolidated financial statements as income tax expense. Fiscal years 2017 through 2019 are subject to examination by the federal and state taxing authorities. There are no income tax examinations currently in process.

Fair Value Measurements—The Health System uses the framework established by the FASB for measuring fair value and disclosures about fair value measurements. The Health System uses fair value measurements in areas that include, but are not limited to, the valuation and impairment of short-term and long-term investments and financial instruments, including derivatives.

US GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1—Valuations based on unadjusted quoted prices for identical instruments in active markets that are available as of the measurement date

Level 2—Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement

US GAAP permits, as a practical expedient, a reporting entity to measure the fair value of certain investments without readily determinable fair values by using the reported net asset value (NAV) per share of the investment without further adjustment if the investment is in an entity that meets the description of an investment company whose underlying investments are measured at fair value as set forth in the ASC.

Transfers between Levels—The availability of market observable data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or valuation methodologies may require the transfer of financial instruments from one fair value hierarchy level to another. In such instances, the transfer would be reported at the beginning of the reporting period. The Health System evaluates the significance of transfers based on the nature of the financial instrument and the size of the transfer. There were no transfers of investments between levels for the years ended September 30, 2020 and 2019.

Debt Issuance Costs—Debt issuance costs consist of underwriting costs, legal expenses, insurance, and other direct costs incurred in connection with the issuance of long-term debt. Such costs are reported within long-term debt in the consolidated balance sheets and amortized over the term of the bonds.

Valuation methods for the primary fair value measurements disclosed below are as follows:

Cash Equivalents, Patient and Other Receivables, and Accounts Payable—The carrying amount approximates fair value because of the short maturity of these instruments.

Investments—The Health System's investments in equity securities and debt and equity mutual funds are stated at fair value based on unadjusted quoted prices for identical assets in active markets that are available as of the measurement date. Investments in common/commingled/collective trusts, and alternative investments, which are recorded at fair value in the consolidated balance sheets, are generally measured using the NAV per share reported by the respective fund managers or the general partners.

The estimated fair values of certain alternative investments, such as private equity interests, are based on valuations performed prior to the consolidated balance sheet date by the external investment managers and adjusted for cash receipts, cash disbursements, and securities distributions through September 30. Because alternative investments are not readily marketable, their estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

The Health System's management, with the assistance of a third-party investment consultant, where appropriate, evaluates the NAV information and valuations provided by external fund managers or general partners for appropriateness through review of the most recently available annual audited financial statements and unaudited interim reporting for the respective funds, review of the methodologies used to determine fair value, and comparisons of fund performance to market benchmarks.

Interest Rate Swaps—The Health System is a party to three interest rate swap agreements. Swaps with negative values of $45.5 million and $28.7 million as of September 30, 2020 and 2019, respectively, are recorded in accrued expenses in the consolidated balance sheets. There were no swaps with positive values as of September 30, 2020 and 2019. Interest rates swaps designated as cash flow hedges were assessed for effectiveness at inception of the contracts and on an ongoing basis thereafter. Unrealized gains and losses related to the effective portion of the swaps are recognized in other changes in net assets without restriction and gains or losses related to ineffective portions are recognized in the excess (deficit) of revenue over expenses from consolidated operations. The unrealized gains and losses of interest rate swaps not designated as cash flow hedges are recognized within investment income on consolidated statements of operations.

The swaps are measured at fair value using pricing models, with all significant inputs derived from, or corroborated by, observable market data, such as interest rates, futures pricing, and volatility metrics, and accordingly are included in Level 2 of the fair value hierarchy.

In October 2005, the Health System entered into a floating-to-fixed swap agreement with a notional amount of $85.2 million for 30 years to hedge the floating-rate 2001 Series bonds. Under this agreement, the Health System receives a floating interest rate based on the three-month London InterBank Offered Rate (LIBOR) index and pays a fixed interest rate of 3.437%. The Series 2001 swap was considered effective at September 30, 2020 and 2019, and $4.0 million and $8.8 million unrealized

losses, respectively, was reported in other changes in net assets without restriction, resulting in a corresponding cumulative liability of $24.1 million and $20.1 million, respectively, included in accrued expenses on the accompanying consolidated balance sheets.

In August 2013, the Health System entered into a floating-to-fixed swap agreement with a notional amount of $48 million for 22 years to hedge the floating-rate 2011B Series bonds. Under this agreement, the Health System receives a floating interest rate based on the one-month LIBOR index and pays a fixed interest rate of 2.097%. The Series 2011B swap was considered effective at September 30, 2020 and 2019, and $1.6 million and $3.1 million unrealized losses, respectively, was reported in other changes in net assets without restriction, resulting in a corresponding cumulative liability of $5.0 million and $3.5 million, respectively. Should the fair value of the Series 2011B interest rate swap exceed negative $50 million, the Health System would be required to post collateral against the swap for amounts in excess of the $50 million threshold.

On October 6, 2016, the Health system entered into an interest rate swap agreement with a notional amount of $100 million, a forward starting date of October 1, 2018, and a maturity date of October 1, 2048, to hedge the expected issuance of variable-rate debt in fiscal 2018 to fund construction projects. The Health System will pay a fixed rate of 1.336% and receive a variable rate of 70% of the one-month LIBOR index rate. The fair value of the swap of $16.3 million and $5.1 million as of September 30, 2020 and 2019, respectively, is included in other current assets in the consolidated balance sheet. In December 2017, the Health System issued $60 million of variable rate debt. At that time, the Health System de-designated $40 million of the interest rate swap. At September 30, 2020 and 2019, the remaining $60 million of the Series 2018A swap still designated as a cash flow hedge was considered effective. At September 30, 2020, the Health System reported realized loss of $5.0 million in investment income and $(12.3) million in other changes in net assets without restriction. At September 30, 2019, the Health System reported realized loss of $7.5 million in investment income and $(23.6) million in other changes in net assets without restriction.

Asset Impairment—During 2018, Wellsmith LLC began developing an updated version of the company's proprietary technology for a web-based chronic disease management portal and consumer application. During 2020, management has determined that the existing technology will not be marketed for sale or licensing. Accordingly, Wellsmith LLC's product does not provide future cash flows; and therefore, an impairment charge to the software asset of $4.6 million was recorded and reported within other nonoperating expense—net in the consolidated statement of operations for the year ended September 30, 2020.

Subsequent Events—The Health System evaluated events and transactions for potential recognition or disclosure through January 26, 2021, the date the consolidated financial statements were issued. In October 2020, the Health System decided to end the relationship with Wellsmith and the company will be winding down and closing during 2021.

On December 21, 2020, HHS issued updated guidance on the reporting and recognition requirements for Provider Relief Fund recipients and the transfer of certain Provider Relief Funds between the Health System's affiliated entities. The application of the new guidance to operations for the year ended September 30, 2020, is not expected to have a material impact on the amounts recognized in other operating revenue. Final reporting to HHS will occur in 2021, and additional changes to guidance from HHS that occur prior to the final data submission may result in further revisions to the amount recognized.

New Accounting Pronouncements

Adopted—In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842) Section A—Leases: Amendments to the FASB Accounting Standards Codification* ("ASU 2016-02"), which supersedes existing guidance on accounting for leases in FASB ASC 840, *Leases*, and generally requires all leases to be recognized in the consolidated balance sheets. The liability will be equal to the present value of lease payments and the asset will be based on the liability, subject to adjustment, such as initial direct costs. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019. Effective October 1, 2019, the Hospital System adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842): Section A—Leases: Amendments to the FASB Accounting Standards Codification; Section B—Conforming Amendments Related to Leases: Amendments to the FASB Accounting Standards Codification; and Section C—Background Information and Basis for Conclusions* ("ASU 2016-02") which supersedes existing guidance on accounting for leases and generally requires all leases to be recognized in the balance sheet. Under ASU 2016-02, at inception, a lessee must classify leases with a term over one year as either a finance or operating lease, with both classifications resulting in the recognition of a defined right-of-use ("ROU") asset and liability on the balance sheet. Recognition in the statement of operations will differ depending on the lease classification, with finance leases recognizing the amortization of the ROU asset separate from the interest on the lease liability and operating leases recognizing a single total lease expense. Lessor accounting under ASU 2016-02 would be substantially unchanged from the previous lease requirements. The provisions of ASU 2016-02 are effective for reporting periods beginning after December 15, 2018. The Hospital System adopted this ASU including supplemental guidance from ASU 2018-11, *Leases (Topic 842); Targeted Improvements,* issued in July 2018, and ASU 2018-20, *Leases (Topic 842); Narrow-Scope Improvements for Lessors*, issued in December 2018, on October 1, 2019. The provisions of this update were applied using an optional modified retrospective transition method, recognizing a cumulative effect adjustment on the consolidated balance sheet on the date of adoption. The Hospital System elected the transition package of three practical expedients, which, among other things, does not require the reassessment under the new standard of prior conclusions about lease identification, lease classifications, and initial direct costs. The Hospital System also elected the short-term lease recognition exemption for all leases that qualify, permitting the Hospital System to not apply the recognition requirements of this standard to leases with a term of twelve months or less and an accounting policy to not separate lease and non-lease components for certain classes of assets. The Hospital System did elect the use-of-hindsight practical expedient in determining the term of leases. The Hospital System will use the risk-free rate plus one percent as the discount rate. Upon adoption on October 1, 2019, for operating leases, the Hospital System recognized an ROU asset and corresponding lease liability of approximately $72 million on the accompanying consolidated balance sheet. For finance leases, at October 1, 2019, the Hospital System recognized an ROU asset of approximately $23 million previously recorded as property and equipment under the old guidance in the accompanying consolidated balance sheet. The difference between the ROU asset and the related lease liability is due to deferred rent, lessor funded tenant improvements, and fair value adjustment due to previous affiliations.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities," which addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments, with further clarifications made with the issuance of ASU 2018-03 and 2018-04. These new standards require equity securities to be measured at fair value with changes in fair value recognized through net income. As such, adoption of these new standards as of October 1, 2019 resulted in certain investments

that were previously recorded at cost being recorded at fair value. This resulted in a cumulative-effect adjustment of $66 million recorded to our net assets without donor restriction as of October 1, 2019. The adoption of these standards did not result in an adjustment as our measurement alternative election requires adjustments to be recorded only on a prospective basis. As these standards were adopted on a prospective basis as of October 1, 2019, the adoption of these standards did not impact our previously reported financial statements for periods ended on or prior to September 30, 2019.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows—Classification of Certain Cash Receipts and Cash Payments (Topic 230)* ("ASU 2016-15"). ASU 2016-15 clarifies the guidance on the classification of certain cash receipts and payments in the statement of cash flows related to debt extinguishment costs, distributions received from equity method investees, and proceeds from the settlement of insurance claims. ASU 2016-15 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 2019. Early adoption is permitted. Adoption of this standard had no material impact on the Health System's consolidated financial statements for the year ended September 30, 2020.

In March 2017, the FASB issued ASU 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* ("ASU 2017-07"). ASU 2017-07 requires an employer to disaggregate the service cost component from other components of net benefit costs. The ASU also provides guidance on how to present the service cost component and the other components of net benefit cost in the income statement. ASU 2017-07 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The adoption of this standard had no material impact on the Hospital System's consolidated financial statements.

Not Yet Adopted—In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 provides guidance regarding the treatment of expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Health System is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles—Goodwill and other (Topic 350)* ("ASU 2017-04"). ASU 2017-04 simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of goodwill with the carrying amount of that goodwill, which is currently required if an entity with goodwill fails a Step 1 test comparing the fair value of the entity to its carrying value including goodwill. Under this new guidance, an entity should perform its annual, or interim, goodwill impairment test using only the Step 1 test of comparing the fair value of the entity with its carrying amount. Any goodwill impairment, representing the amount by which the carrying amount exceeds the entity's fair value, is determined using this Step 1 test. Any goodwill impairment loss recognized would not exceed the total carrying amount of goodwill allocated to that entity. ASU 2017-04 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Health System is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, *Targeted Improvements to Accounting for Hedging Activities* ("ASU 2017-12"), which is intended to better align risk management activities and financial reporting for hedging relationships. The new standard eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. It also eases certain documentation and assessment requirements. ASU 2017-12 is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The Health System is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirement for Fair Value Measurement ("*ASU 2018-13*")*. This update focuses on improving the effectiveness of disclosures in the notes to the financial statements by facilitating clear communication of the information required by U.S. GAAP that is most important to users of each entity's financial statements. Specifically certain disclosure requirements are removed (the amount of, and reasons for, transfer between Level 1 and Level 2 of the fair value hierarchy; the policy for timing of transfers between levels; the valuation processes for Level 3 fair value measurements) while it modifies and adds certain other disclosures (the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period, and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements). The amendments regarding changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent period in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. ASU 2018-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Health System is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* (ASU 2018-15). The amendment addresses customer's accounting for implemented costs incurred in a cloud computing arrangement that is a service contract and aims to reduce complexity in the accounting for costs of implementing a cloud computing service arrangement. The amendments require a customer in a hosting arrangement that is a service contract to determine which implementation costs to capitalize as an asset related to service contract and which costs to expense. Additionally, it requires the customer to expense the capitalized implementation costs over the term of the hosting arrangement. ASU 2018-15 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019 and will be applied on a prospective basis. The Health System is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

In October 2018, the FASB issued ASU No. 2018-16, *Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate, Overnight Index Swap Rate as a Benchmark Interest Rate for Hedge Accounting Purposes* ("ASU 2018 16"), which provides guidance on risks associated with financial assets or liabilities permitted to be hedged. ASU 2018-16 is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted but FASB requires this standard to be adopted concurrently with ASU 2017-12. The Health System is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

In October 2018, the FASB issued ASU No. 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities* ("ASU 2018-17"), which allows a reporting entity to not apply VIE guidance to legal entities under common control if both the parent and the legal entity being evaluated for consolidation are not public business entities. The provisions of this update are to be applied retrospectively with a cumulative-effect adjustment to retained earnings. ASU 2018-17 is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The Health System is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

In November 2018, the FASB issued ASU 2018-18, *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606* ("ASU 2018-18"), which provides guidance on whether certain transactions between collaborative arrangement participants should be accounted for with revenue under Topic 606. The provisions of this update are to be applied retrospectively to the date of the initial application of Topic 606. The provisions of ASU 2018-18 are effective for reporting periods beginning after December 15, 2019, and interim periods within those fiscal years. The Health System is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans* ("ASU 2018-14"), which is intended to identify and modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The provisions of this update are to be applied using a modified retrospective approach. ASU 2018-14 is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The Health System is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

In November 2019, the FASB issued ASU 2019-10, *Financial Instruments: Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*, which addresses feedback regarding implementation challenges when adopting a major update. The FASB developed a philosophy to extend and simplify how effective dates are staggered between larger public companies and all other entities. The Health System is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

In November 2019, the FASB issued ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments: Credit Losses* ("ASU 2019-11"), which clarifies or addresses specific issues about certain aspects in ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13") issued by FASB in June 2016. ASU 2016-13 provides guidance regarding the treatment of expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Health System is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), which increases transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosures. The amendments in ASU 2020-07 are effective for fiscal years beginning after June 15, 2021 and should be applied on a retrospective basis. Early adoption is permitted. The Health System is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

2. OPERATING REVENUE

Net patient service revenue is reported at the amount reflecting the consideration to which the Health System expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive adjustments under reimbursement agreements with third-party payors. Generally, the Health System bills patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Health System. For most services, revenue is recognized over time as the customer simultaneously receives and consumes the benefits of the services when provided. Performance obligations for outpatient services and physician office visits are generally satisfied over a period of less than one day. Revenue for performance obligations satisfied over more than one day, such as inpatient hospital services, is recognized based on charges incurred in relation to total expected (or actual) charges. The Health System believes this method provides a faithful depiction of the transfer of services to the patient. Revenue for performance obligations satisfied at a point in time, such as retail pharmacy prescriptions, is recognized when the goods are provided to the customer.

The Health System determines the transaction price based on its standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Health System's policy, and implicit price concessions provided to uninsured patients and insured patients with copayment obligations. The Health System determines its estimates of contractual adjustments, discounts, and implicit price concessions based on contractual agreements, its discount policies, and historical experience. In determining these estimates, the Health System uses a portfolio approach as a practical expedient by accounting for patient contracts with common characteristics as collective groups rather than individually. The financial statement effects of using this practical expedient are not materially different from an individual contract approach.

Through its Triad Healthcare Network (THN) accountable care organization (ACO), the Health System enters into risk-based agreements with third-party payors for the care of various populations of patients. These arrangements represent potential variable consideration for the underlying contracts with patients and are considered in determining the transaction price for those contracts. As a participant in Medicare's Next Generation ACO Model, THN receives a benchmark spending target for Medicare patients in its network. If actual Medicare spending for these patients is less than the benchmark, THN shares in the savings with the federal government. Conversely, if spending is above the benchmark, THN must reimburse the federal government for the excess. THN also participates in similar risk agreements with insurers operating Medicare Advantage and Commercial insurance plans. Benchmark spending under these agreements varies with the premiums received as adjusted by patient risk factors and network quality measures.

The Health System has agreements with government and third-party payors that provide for payments to the Health System at amounts different from its established rates. A summary of the payment arrangements with major third-party payors is as follows:

Medicare—Inpatient acute care services rendered to Medicare program beneficiaries are paid primarily at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors and cover both operating and capital

costs. Outpatient services are generally reimbursed at prospectively determined rates. The Health System is reimbursed for cost-reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Health System and audits thereof by the Medicare Administrative Contractor. The Health System's classification of patients under the Medicare program and the appropriateness of their admission are subject to review by an independent quality review organization.

The Health System's Medicare cost reports have been audited by the Medicare Administrative Contractor through September 30, 2016.

Medicaid—Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services are reimbursed based on 70% of actual costs incurred. The Health System's Medicaid cost reports have been settled through September 30, 2015.

Net revenue from the Medicare and Medicaid programs accounted for 15.5% and 11.1%, respectively, of the Health System's net patient service revenue for the year ended September 30, 2020, and 16.0% and 11.1%, respectively, of the Health System's net patient service revenue for the year ended September 30, 2019. Recorded estimates are subject to change as a result of complex laws and regulations governing the Medicare and Medicaid programs, which are subject to interpretation. In addition, Medicare Advantage plans accounted for 21.0% of net revenue for the year ended September 30, 2020, and 19.3% of net revenue for the year ended September 30, 2019. Medicare beneficiaries may elect coverage through these plans that are based on Medicare benefit and payment terms but marketed and administered by commercial insurers.

The Health System has participated in the North Carolina Medicaid Reimbursement Initiative (the "MRI Plan") since 1996. In connection therewith, the Health System received and recognized as patient service revenue $11.0 million and $13.0 million from the MRI Plan during the years ended September 30, 2020 and 2019, respectively.

Beginning in 2012, the Health System began participating in the North Carolina Gap Assessment Plan (the "GAP Plan"). The GAP Plan is designed to fund hospitals for a portion of unreimbursed costs of treating Medicaid and uninsured patients. Under the GAP Plan, hospitals periodically pay an assessment to the state of North Carolina (the "State") and periodically receive Medicaid payments from the State. The total assessment payments made by the Health System were $33.8 million and $39.6 million for the years ended 2020 and 2019, respectively, and are reported as other direct expenses in the accompanying consolidated statements of operations. The total GAP Plan receipts for the Health System were $93.4 million and $88.9 million for the years ended 2020 and 2019, respectively, and are reported in patient service revenue (net of contractual adjustments) in the accompanying consolidated statements of operations.

Under the Medicare and Medicaid programs, the Health System is entitled to reimbursements for certain patient charges at rates determined by federal and state governments. Differences between established billing rates and reimbursements from these programs are recorded as contractual adjustments to arrive at net patient service revenue. Final determination of amounts due from Medicare and Medicaid programs is subject to review by these programs. Changes resulting from final determination are reflected as changes in estimates, generally in the year of determination. In the opinion of management, adequate provision has been made for any adjustments that may result from such reviews. Net patient service revenue increased approximately $6.7 million and $5.3 million for the years ended September 30, 2020 and 2019, respectively, due to prior-year retroactive adjustments that differed from amounts previously estimated.

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, and government health care participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Health System is in compliance with fraud and abuse, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Commercial and Other Third-Party Payors—The Health System has entered into contracts with third-party payors providing coverage for individuals in its service area. Payment arrangements within these contracts include per case or per diem rates or amounts based on a percentage of Medicare payment or the Health System's charges. Payment rates vary based on coverage criteria established by the third-party payors and the products and copayment terms applicable to specific insured groups or individuals.

Charity Care—The Health System provides charity care to patients who are financially unable to pay for the health care services received and who are unable to access federal or state entitlement programs. The Health System does not pursue collection of amounts determined to qualify as charity care and does not report such amounts as revenue. Uninsured patients whose total annual household income is at or below 200% of the federal poverty level may be eligible for charity care. Uninsured patients whose income exceeds 200% of the federal poverty level also may be eligible for charity care, if incurred charges are beyond the patient's ability to pay. The federal poverty level is established by the federal government and is based on income and family size. The Health System provided charity care at an estimated cost of approximately $105.7 million and $98.3 million for the years ended September 30, 2020 and 2019, respectively. The estimated costs of providing charity services are calculated based on the ratio of cost to charges from the Health System's consolidated financial statements applied to each period's gross uncompensated charges for charity care patients.

The composition of net patient service revenue by primary payor class for the years ended September 30, 2020 and 2019, is as follows (in thousands of dollars):

	2020	2019
Medicare and Medicare Advantage	$ 759,765	$ 720,086
Medicaid	215,233	216,180
Third-party payors	999,513	1,007,539
Self-pay	37,102	39,558
Net patient service revenue	$2,011,613	$1,983,363

The composition of net patient service revenue by primary service category for the years ended September 30, 2020 and 2019, is as follows (in thousands of dollars):

	2020	2019
Inpatient hospital services	$ 801,312	$ 789,442
Outpatient hospital services	759,596	764,114
Professional services	284,730	312,263
Long term care	28,855	34,780
Retail pharmacy	67,992	53,433
THN risk share revenue	69,128	29,331
Net patient service revenue	$2,011,613	$1,983,363

Other revenues for which performance obligations are satisfied at a point in time primarily include the provision of goods to customers such as pharmacy prescriptions, cafeteria and nursing home resident meals, and other goods. Services provided over time include medical services provided under contract to other entities, administrative and care management services provided by Triad Healthcare Network, management and other services. Revenues from grants and rentals are not within the scope of ASC 2014-09. Grant revenues are generally considered conditional promises to give and are recognized as conditions on which they depend are substantially met. Rental revenues, representing the Health System's lease of properties to third parties, are recognized over the lease term.

Amounts related to services provided to patients which do not meet the conditions of unconditional rights to payment at the end of the reporting period are contract assets. As of September 30, 2020, and 2019, the Health System did not have any contract assets.

3. LIQUIDITY AND AVAILABILITY

At September 30, 2020, financial assets available for general expenditures within one year of the balance sheet date, are as follows (in thousands of dollars):

	2020	2019
Cash and cash equivalents	$ 328,671	$ 43,644
Short-term investments	26,688	63,533
Patient receivables, net	175,625	233,367
Investments available to be liquidated	737,736	673,747
Financial assets available within one year	$1,268,720	$1,014,291

To help manage unanticipated liquidity needs, the Health Plan has committed lines of credit with a total borrowing capacity of $150 million at September 30, 2020 which it could draw upon.

The asset allocation of the Health Plan's investment portfolio is broadly diversified and is designed to maximize the probability of achieving the Health Plan's long-term investment objectives at an appropriate level of risk, while maintaining a level of liquidity to meet the needs of ongoing portfolio management. The nature of certain investments restricts the liquidity and availability of these investments to be available for the general expenditures of the Health Plan within one year of the combined balance sheet date. These investments have been excluded from the amounts above.

4. INVESTMENTS AND ASSETS LIMITED AS TO USE

The Health System's investments, including assets limited as to use, consist of cash and cash equivalents, marketable equity and fixed-income securities, hedge funds, and private investment funds.

Due to the adoption of ASU 2016-01 with further clarifications made with the issuance of ASU 2018-03 and 2018-04, as of September 30, 2020, the Health System's equity securities are measured at fair value with changes in fair value recognized through net income. As such, the adoption of these new standards as of October 1, 2019 resulted in certain investments that were previously recorded at cost being recorded at fair value. This resulted in a cumulative-effect adjustment of $66 million recorded to net asset without donor restriction on the accompanying consolidated balance sheets. As these standards were adopted on a prospective basis as of October 1, 2019, the adoption of these standards did not impact our previously reported financial statements for periods ended on or prior to September 30, 2019. As such, the prior-year amounts disclosed for comparative purposes are no longer comparable due to this adoption.

At September 30, 2020, the composition of the Health System's investments and assets limited as to use, is as follows (in thousands of dollars):

		Fair Value Measurement Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed-income securities and funds	$ 801,169	$694,472	$106,697	$ -
Equity securities and funds	80,019	80,019		
Subtotal	881,188	$774,491	$106,697	$ -
Investments measured at net asset value	420,202			
Total investments and assets limited as to use	$1,301,390			

At September 30, 2019, the composition of the Health System's investments and assets limited as to use, is as follows (in thousands of dollars):

		Fair Value Measurement Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed-income securities and funds	$ 317,793	$226,784	$91,009	$ -
Equity securities and funds	246,717	246,717		
Subtotal	564,510	$473,501	$91,009	$ -
Investments measured at net asset value	265,449			
Investments measured at cost	369,503			
Total investments and assets limited as to use	$1,199,462			

The investments and assets limited as to use are included in the captions in the consolidated balance sheets as of September 30, 2020 and 2019, are as follows (in thousands of dollars):

	2020	2019
Short-term investments	$ 26,688	$ 63,533
Long-term investments	959,659	831,134
Assets limited as to use:		
Foundation and Impact Alamance	164,783	167,868
AEC	2,711	4,132
Under bond indenture agreements held by trustee	19,584	32,014
CNCNC	39,226	22,182
ICARE	9,245	8,052
Other	4,557	3,916
Total assets limited as to use	240,106	238,164
Less assets limited as to use that are required for current liabilities	(6,674)	(7,073)
Assets limited as to use—net of portion required for current liabilities	233,432	231,091
Deferred compensation (within other assets)	74,937	66,631
Total investments and assets limited as to use	$1,301,390	$1,199,462

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the Health System's investment balances reported in the consolidated balance sheets.

A summary of the investments measured at NAV as of September 30, 2020, is as follows (in thousands of dollars):

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Investments in common, comingled, and collective trusts:				
Equity securities and funds	$ 44,620	$ -	Semi-monthly, and monthly	5 day to 30 days
	$ 44,620	$ -		
Alternative investment funds				
Private equity	$ 150,698	$ 86,371	N/A–Illiquid	N/A–Illiquid
Private debt	32,838	23,008	N/A–Illiquid	N/A–Illiquid
Private debt	12,681	7,005	Monthly and Quarterly	45–90 days
Hedge funds	60,555		Monthly, Qtrly, Annual Qtr Anniversary	20–95 days
Hedge funds	50,561		Monthly, and Quarterly	3–90 days
Real estate	4,751	9,729	N/A–Illiquid	N/A–Illiquid
Real estate	63,498		Quarterly	90 days
	$ 375,582	$ 126,113		

A summary of the investments measured at NAV as of September 30, 2019, is as follows (in thousands of dollars):

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Investments in common, comingled, and collective trusts:				
Equity securities and funds	$ 248,378	$ -	Semi-monthly, and monthly	5 day to 30 days
Fixed-income securities and funds	12,034		Semi-monthly	5 business days
Balanced funds	5,037		Monthly	15 business days
	$ 265,449	$ -		
Alternative investment funds carried at cost in the consolidated balance sheets:				
Private equity	$ 125,954	$ 58,504	N/A–Illiquid	N/A–Illiquid
Private debt	43,006	21,334	N/A–Illiquid	N/A–Illiquid
Private debt	11,015	7,025	Monthly and Quarterly	45–90 days
Hedge funds	64,488		Monthly, Qtrly, Annual Qtr Anniversary	20–95 days
Hedge funds	114,949		Monthly, and Quarterly	3–90 days
Real estate	4,764	5,708	N/A–Illiquid	N/A–Illiquid
Real estate	71,445		Quarterly	90 days
	$ 435,621	$ 92,571		

Alternative investments include limited partnerships, limited liability corporations, and offshore investment funds. Included in investments of the limited partnerships are certain types of financial instruments, including, among others, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These instruments may contain elements of both credit and market risks. Such risks include, but are not limited to, limited liquidity, dependence upon key individuals, emphasis on speculative investments (both derivatives and nonmarketable investments), and nondisclosure of portfolio composition. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

Estimated fair values of private equity investments are based on a series of inputs that provide support to the valuations provided by the private equity managers, including analysis of the investment statements and supporting documents performed by management and its investment adviser, as well as audited consolidated financial statements provided by external independent auditors. Portfolio updates are provided by the managers at least quarterly and are updated more frequently for major events or new capital investment in the portfolio.

Other-Than-Temporary Impairment of Investments—The Health System evaluates the near-term prospects for improvement of unrealized investment losses in relation to the severity and duration of the loss for each individual investment by analyzing the earning trends and economic conditions and other sources of information. Based on this evaluation, the Health System recorded realized losses of $4.3 million on investments that were other-than-temporarily impaired at September 30, 2020. The total amount of unrealized losses remaining at September 30, 2020, was $9.5 million, of which $2.3 million relates to investments that have been in a continuous unrealized loss position for more than 12 months. The Health System recorded realized losses of $6.7 million on investments that were other-than-temporarily impaired at September 30, 2019. The total amount of unrealized losses remaining at September 30, 2019, was $10.4 million, of which $3.0 million relates to investments that have been in a continuous unrealized loss position for more than 12 months.

At September 30, 2020, the fair value and gross unrealized losses of available-for-sale securities were as follows (in thousands of dollars):

	September 30, 2020					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
International equity securities and funds	$ -	$ -	$ 10,814	$ (1,346)	$ 10,814	$ (1,346)
Total	$ -	$ -	$ 10,814	$ (1,346)	$ 10,814	$ (1,346)

At September 30, 2019, the fair value, except for alternative investments which are recorded at cost, and gross unrealized losses of available-for-sale securities, were as follows (in thousands of dollars):

	September 30, 2019					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed income	$ -	$ -	$ 62,934	$ (1,048)	$ 62,934	$ (1,048)
International equity securities and funds	101,290	(6,699)			101,290	(6,699)
Total	$ 101,290	$ (6,699)	$ 62,934	$ (1,048)	$ 164,224	$ (7,747)

Investment income and gains and losses for the years ended September 30, 2020 and 2019, consist of the following (in thousands of dollars):

	2020	2019
Dividend and interest income	$ 21,521	$ 24,899
Unrealized gain (loss)—equity securities	515	
Realized gain (loss)—net	49,107	(2,195)
Total	$ 71,143	$ 22,704

Investments in Unconsolidated Affiliated Entities—The Health System's investment in unconsolidated affiliated entities reflects the Health System's ownership interests in various health care-related entities accounted for primarily through the equity method.

A summary of investments, ownership percentages, investment amounts, and the Health System's share of net income for the years ended September 30, 2020 and 2019, is as follows (in thousands of dollars):

	Percent Ownership		Investment Balance		Health System's Share of Net Income	
	2020	2019	2020	2019	2020	2019
Investment name:						
Diagnostic Radiology and Imaging, LLC	50.00 %	50.00 %	$ 724	$ 239	$ 1,112	$ 1,755
AuthoraCare Collective (previously Hospice at Greensboro)	50.00	50.00	27,935	17,239	10,696	816
Advanced Homecare, Inc.	34.73	34.49	7,917	28,401	92	2,847
Health Care Casualty Insurance Limited	25.00	25.00	(128)	479	(607)	1,152
Health Care Casualty Risk Retention Group, Inc.	25.00	25.00	630	580	50	73
Randolph Cancer Center, LLC	40.00	40.00	6,102	5,882	221	421
Other			8,619	9,515	470	303
Total			$ 51,799	$ 62,335	$ 12,034	$ 7,367

Financial information related to investments in unconsolidated affiliated entities at September 30, 2020 and 2019, is summarized as follows (in thousands of dollars):

	2020	2019
Assets	$ 183,875	$ 243,441
Liabilities	58,811	58,907
Equity	125,064	184,534
Total revenue	259,309	280,482
Total expenses	184,026	257,146
Net income	75,284	23,336
Health System's share of net income	12,034	7,367

5. PROPERTY AND EQUIPMENT

A summary of property and equipment at September 30, 2020 and 2019, is as follows (in thousands of dollars):

	Depreciable Lives	2020	2019
Land and land improvements	10–15 years	$ 105,410	$ 97,937
Buildings and leasehold improvements	5–40 years	1,563,844	1,399,984
Equipment	3–15 years	589,902	555,421
		2,259,156	2,053,342
Less accumulated depreciation		(1,146,400)	(1,021,441)
		1,112,756	1,031,901
Construction in progress		68,102	153,425
Total		$ 1,180,858	$ 1,185,326

Depreciation and amortization expense for the years ended September 30, 2020 and 2019, amounted to $145.8 million and $132.2 million, respectively.

The Health System had unexpended project contractual commitments at September 30, 2020 and 2019, of $90.7 million and $51.9 million, respectively.

6. ACCRUED EXPENSES

A summary of accrued expenses at September 30, 2020 and 2019, is as follows (in thousands of dollars):

	2020	2019
Accrued salaries and wages	$126,724	$113,879
Accrued benefits	60,094	52,815
Interest rate swaps	45,484	28,698
Self-insurance and medical insurance liabilities	27,114	35,135
Other current liabilities	25,431	24,084
Total	$284,847	$254,611

7. CONTRACT LIABILITIES

A summary of contract liabilities at September 30, 2020 and 2019, is as follows (in thousands of dollars):

	2020	2019
CMS Liability	$141,442	$ 3,338
AEC refundable deposits	641	689
AEC nonrefundable deposits	2,200	2,094
Other	5,124	394
Total current contract liabilities	$149,407	$ 6,515
AEC refundable deposits	$ 10,643	$11,187
AEC nonrefundable deposits	4,404	4,328
Total long term contract liabilities	$ 15,047	$15,515

Contract liabilities includes Medicare advance payments under the CARES Act of $141.4 million that were received in fiscal year 2020. The funds provided under this program represent advances on payments for future goods or services to be provided to Medicare patients. The liability will be reduced over time as revenue is recognized for claims submitted for services provided after the recoupment period begins. During fiscal year 2020, $3,338 of the 2019 balance was recognized as net patient service revenue in the accompanying consolidated statements of operation.

The current and long-term AEC refundable and nonrefundable deposits represent entrances fee deposits paid by residents of AEC that vary according to the type and size of the residence and contract type. When the residents take occupancy, the deposits become nonrefundable and are amortized into other revenue based on the life expectancy of each resident in the independent living units. During fiscal year 2020, $2,459 of the 2019 balance was recognized into income in other revenue in the accompanying consolidated statements of operations.

Previously, $6.5 million of current contract liabilities and $15.5 million of long term contract liabilities were classified as accrued expense and other noncurrent liabilities, respectively, as of September 30, 2019, on the consolidated balance sheets.

8. LONG-TERM DEBT

Long-term debt at September 30, 2020 and 2019, consists of the following (in thousands of dollars):

	2020	2019
Series 2001A and 2001B, payable in annual installments increasing in fiscal year 2024 through fiscal year 2035, interest payable monthly at variable rates (0.11% and 1.63% at September 30, 2020 and 2019, respectively)	$ 85,200	$ 85,200
Series 2004A, payable in annual installments in fiscal year 2016 through fiscal year 2035, interest payable monthly at variable rates (0.13% and 1.53% at September 30, 2020 and 2019, respectively)	44,080	45,145
Series 2011A, payable in annual installments in fiscal year 2014 through fiscal year 2024, interest payable semiannually at fixed rates of 3.2% to 5.0%	21,690	26,775
Series 2011B, payable in annual installments in fiscal year 2016 through fiscal year 2036, interest payable monthly at variable rates (0.47% and 1.93% at September 30, 2020 and 2019, respectively)	40,860	43,120
Series 2011C and 2011D, payable in annual installments in fiscal year 2014 through fiscal year 2045, interest payable monthly at variable rates (2.06% at September 30, 2019)		93,750
Series 2013A, payable in annual installments in fiscal year 2024 through fiscal 2045, interest payable monthly a fixed rate of 3.08%	88,775	88,775
Series 2013B, payable in annual installments in fiscal year 2014 through fiscal 2023, interest payable monthly at a fixed rate of 2.24%	7,080	10,005
Series 2013C, payable in annual installments in fiscal year 2014 through fiscal 2023, interest payable monthly at a fixed rate of 2.26%	4,645	6,565
Series 2017, payable in annual installments in fiscal year 2026 through fiscal 2046, interest payable semiannually at a fixed rate of 4.33%	50,000	50,000
Series 2017A, payable in annual installments in fiscal year 2021 through fiscal 2046, interest payable semiannually at a fixed rate of 2.79%	100,000	100,000
Series 2017B, payable in annual installments in fiscal year 2033 through fiscal year 2046, interest payable monthly at variable rates (0.48% and 2.13% at September 30, 2020 and 2019, respectively)	60,000	60,000
Note payable to a commercial bank with interest due monthly and a final payment due September 25, 2023 at a variable rate (1.05% at September 30, 2020)	92,750	
Note payable to a commercial bank in annual installments beginning in fiscal year 2013, with the remaining balance due in fiscal year 2023 at a fixed rate of 2.73%	15,480	16,340
Note payable to a commercial bank with principal and interest due monthly and a final payment due February 1, 2026 at a fixed rate of 2.49%	18,860	19,780
Note payable, payable in annual installments 2015 through 2019, interest payable monthly at fixed interest 2.85%	975	1,296
	630,395	646,751
Less scheduled payments due within one year	15,390	16,478
Less additional portion of Series 2001A and 2001B, 2004A, and 2011B classified as current	166,720	170,140
Less unamortized debt issuance costs	2,523	2,760
Total long-term debt	$445,762	$457,373

The Obligated Group for the debt consists of the Parent Corporation; the Operating Corporation; the Foundation; Impact Alamance; Alamance Regional Medical Center, Inc.; and ARMC Health Care (excluding AEC). The weighted-average interest rate on the Health System's Master Indenture Trust debt was approximately 2.56% and 2.88% in fiscal years 2020 and 2019, respectively.

The Health System has set aside approximately $19.6 million and $32 million at September 30, 2020 and 2019, respectively, in a debt service interest fund designated to meet scheduled interest payments as well as $8.0 million of trustee-held 2017B bond fund. These amounts are included in assets limited as to use in the accompanying consolidated balance sheets at September 30, 2020 and 2019.

Certain puttable variable-rate debt instruments are included in the current portion of long-term debt because of subjective acceleration clauses or due-on-demand provisions in the respective liquidity facilities from the supporting financial institutions. The future annual scheduled principal payment requirements of long-term debt at September 30, 2020, are as follows (in thousands of dollars):

Years Ending September 30	
2021	$ 15,390
2022	16,430
2023	121,605
2024	15,595
2025	15,910
Thereafter	445,465
Total	$630,395

On August 1, 2011, the Health System issued the second amended and restated master trust indenture (the "Indenture"). The Indenture provides that the members of the obligated group are jointly and severally liable for all obligations issued and outstanding under the Indenture. The Indenture also provides that all obligations issued and outstanding under the Indenture shall be uncollateralized obligations of the Obligated Group. Certain assets of the Health System, including patient accounts receivable, may collateralize future obligations issued under the Indenture.

There are several restrictive covenants contained in the Indenture, including, but not limited to, financial reporting, debt coverage requirements, and the maintenance of insurance coverage. The Health System is also restricted from pledging, mortgaging, or assigning interest in its property. Approximately 78% of the Health System's revenues and 94% of the Health System's assets are part of the Obligated Group under the revenue bonds as of and for the year ended September 30, 2020.

The Series 2017A and 2017B Hospital Revenue Bonds were issued on December 22, 2017, in the aggregate amount of $160 million to provide funding for qualifying Health System's projects. The $100 million carries a ten-year fixed rate of 2.79% and $60 million carries a variable rate of 85% of 1-month LIBOR plus 0.34%. The bonds are payable in annual installments in fiscal year 2021 through fiscal year 2046 for 2017A and fiscal year 2033 through fiscal year 2042 for 2017B.

The Series 2017 Hospital Revenue Bonds were issued on December 26, 2016, with $50 million of proceeds to provide funding for the Health System's pension plan. The bonds are payable in annual installments in fiscal year 2026 through fiscal year 2046 at fixed rates of 4.33%.

On February 29, 2016, the Health System purchased the remaining interest in a medical services building and entered into a $23 million term loan with a commercial bank to fund the acquisition. The term loan carries a fixed interest rate of 2.49% and partially amortizes over 10 years with a final payment March 2, 2026.

The Health System entered into a revolving credit agreement with a financial institution on May 31, 2019, in the amount of $50 million, maturing October 1, 2021. There were no borrowings against the agreement at September 30, 2020. The credit agreement bears interest at an annual rate of LIBOR, plus 0.75%. Under terms of the credit agreement, the Health System is required to maintain a specific debt service coverage ratio, a specific day's cash on hand, and minimum debt rating, as those terms are defined.

The Series 2013A, 2013B, and 2013C Revenue Bonds were issued on November 20, 2013, in the aggregate amount of $130.2 million that, along with debt service reserve funds, were used to reimburse construction costs and fund a construction fund in the amount of approximately $59.8 million for construction at ARMC, fund an escrow in the amount of $29.9 million to retire the AEC Series 2007 bonds, reimburse borrowings under a bank line of credit, and pay issuance costs. On January 1, 2014, the above escrow, along with accrued interest, was used to retire the AEC Series 2007 bonds.

The Series 2011C and 2011D Hospital Revenue Bonds were issued on September 21, 2011, with $50 million each of new proceeds to provide funding for qualifying Health System's projects. The bonds are variable-rate bonds issued by a bank with variable-rate commitments through the termination date of September 29, 2020. On that date the bonds were retired and replaced with a bank note at a variable rate through the termination date of September 29, 2023.

The Series 2011B Hospital Revenue Bonds were issued on August 3, 2011, to refund the 2008 Series bonds. The Health System provides self-liquidity in support of the bonds. Bonds that have not been remarketed for a period of 30 days are payable after an additional 180 days. The Series 2011B bonds are classified as current liabilities in the consolidated balance sheets; however, they are reflected in the table of scheduled payments above based on their stated maturities.

The Series 2011A Hospital Revenue Bonds were issued to fully refund the 1993 bonds and are payable in annual installments in fiscal year 2014 through fiscal year 2024 at fixed rates of between 3.2% and 5.0%.

The Series 2004A Hospital Revenue Bonds are puttable variable-rate bonds supported by self-liquidity of the Health System. Additionally, the Health System has entered into a revolving credit agreement through October 1, 2016 with a bank to provide loans to cover 2004A bonds that are not remarketed. The revolving loans convert to a term loan if not repaid within 366 days and the term loan is amortized in six equal semiannual installments. This revolving credit agreement has been extended until October 1, 2022, with the same terms and conditions. The Series 2004A bonds are classified as current liabilities in the consolidated balance sheets; however, they are reflected in the table of scheduled payments above based on their stated maturities.

The Series 2001A and 2001B Hospital Revenue Bonds are puttable variable-rate bonds under which the Health System has entered into two separate standby bond purchase agreements (the "Liquidity Facilities") with a bank to provide credit and liquidity support for the bonds. The Liquidity Facilities were amended during fiscal year 2014 and expire on December 20, 2023. In the event that the bonds are tendered for purchase and cannot be remarketed, the Liquidity Facilities provide the funds to purchase the unremarketed bonds. These agreements will expire if the bonds are converted, or required to be converted, to a fixed interest rate. Principal payments by the Health System under agreement begin 455 days after the day on which the bonds failed to be remarketed and continue in six semiannual installments. The Series 2001A and Series 2001B bonds are classified as current liabilities

in the consolidated balance sheets because of subjective acceleration provisions in the amended Liquidity Facilities. However, they are reflected in the table of scheduled payments above based on their stated maturities.

On November 30, 2012, the Health System purchased a medical services building and entered into a $21.5 million term loan with a commercial bank to partially fund the purchase. The loan carries a fixed interest rate of 2.73% and amortizes over 10 years, with a final payment due in fiscal year 2023.

9. LEASE COMMITMENTS

As discussed in Note 1, the Health System adopted ASU 2016-02 effective October 1, 2020. The Health System has operating and finance leases for real estate and equipment. The Health system determines if an arrangement is a lease at the inception of the contract. The Health System elected to apply the short-term lease exception under ASU 2016-02; therefore, leases with an initial term of twelve months or less are not recorded on the consolidated balance sheet.

The following table presents the components of the Health System's right-of-use assets and liabilities related to leases and their classification as of September 30, 2020 (in thousands of dollars).

Component of Lease Balances	**September 30, 2020**
Assets:	
Operating lease assets	$ 70,582
Finance lease assets	9,523
Total lease assets	$ 80,105
Liabilities:	
Operating lease liabilities:	
Current	$ 14,210
Long-term	59,406
Total operating lease liabilities	73,616
Finance lease liabilities:	
Current	5,904
Long-term	3,841
Total finance lease liabilities	9,745
Total lease liabilities	$ 83,361

Real estate leases may include one or more options to renew. The exercise of lease renewal options is at the Health System's sole discretion. In general, renewal options are not considered to be reasonably likely to be exercised, therefore, renewal options are generally not recognized as part of the right-of-use assets and lease liabilities.

The following table presents the components of the Health System's lease costs for the period ended September 30, 2020 (in thousands of dollars).

	September 30, 2020
Lease cost (in thousands of dollars):	
Finance lease cost:	
Amortization of right-of-use assets	$ 5,813
Interest on lease liabilities	437
Operating lease cost	17,579
Total lease cost	$ 23,829
The following table presents supplemental cash flow information for the year ended September 30, 2020 (in thousands of dollars):	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from finance leases	$ 437
Operating cash flows from operating leases	17,495
Financing cash flows from finance leases	5,679
Other information:	
Weighted average remaining lease term—finance leases (in years)	2.28
Weighted average remaining lease term—operating leases (in years)	6.96
Weighted average discount rate—finance leases	3.93 %
Weighted average discount rate—operating leases	2.65 %

Future maturities of lease liabilities at September 30, 2020 are presented in the following table:

Years Ending September 30	Operating Leases	Finance Leases	Total Leases
2021	$ 15,387	$ 6,227	$ 21,614
2022	12,744	2,271	15,015
2023	10,058	769	10,827
2024	8,209	564	8,773
2025	6,695	325	7,020
Thereafter	30,274	156	30,430
Total lease payments	83,367	10,312	93,679
Less—imputed Interest	(9,751)	(567)	(10,318)
Total lease obligations	73,616	9,745	83,361
Less—current obligations	(14,210)	(5,904)	(20,114)
Long-term lease obligations	$ 59,406	$ 3,841	$ 63,247

Because the Health System elected to use the modified retrospective transition approach, it is required to provide the disclosures required prior to the adoption of ASU 2016-02 for September 30, 2019. Total rent expense for the year ended September 30, 2019 was approximately $20.9 million. Capital leases are reported in Property and Equipment—net, on the accompanying Consolidated Balance Sheet as of

September 30, 2019. Future minimum lease payments on operating leases with terms of more than year as of September 30, 2019 are as follows:

Years Ending September 30	
2020	$13,463
2021	11,794
2022	9,650
2023	7,699
2024	6,721
Thereafter	23,302
Total	$72,629

10. COMMITMENTS UNDER MRS. BERTHA LINDAU CONE GIFT

Under the terms of a gift by Mrs. Bertha Lindau Cone, the Parent Corporation is required to meet certain conditions. The more significant conditions of the gift are that the existing hospital and land will be forever used and maintained for hospital purposes and that the name of The Moses H. Cone Memorial Hospital will never be changed.

A substantial portion of the Parent Corporation's investment in its hospital building has been funded by this gift and is subject to the above conditions. Failure to comply with the conditions of the gift could result in the forfeiture to unrelated parties of all property purchased from the original gift and earnings on the gift.

11. EMPLOYEE RETIREMENT PLANS

The Health System has the right under the terms of the Employees' Retirement Plan of the Moses H. Cone Memorial Hospital (the "Plan"), a pension plan, in certain circumstances, to discontinue its contributions at any time and to terminate the Plan, subject to the provisions set forth in ERISA. On February 6, 2018, the Board of Trustees of the Moses H. Cone Memorial Hospital Board of Trustees approved a resolution to terminate the Plan, effective April 16, 2018. All required regulatory approvals were obtained in November 2018. Letters were mailed to plan participants in February 2019. Lump sum distributions were completed in May 2019. An additional $15 million employer contribution was made on June 5, 2019 to fund the Plan in liquidation. On June 6, 2019 transfer of assets for the purchase of annuities from Principal Financial Services, Inc. ("Principal") was completed. Principal began making payments to the participants beginning on August 1, 2019. As of September 30, 2019, all payments to the participants have been completed.

Certain benefits under the Plan are insured by the Pension Benefit Guaranty Corporation (PBGC) if the Plan terminates. Generally, the PBGC guarantees most vested normal-age retirement benefits, early retirement benefits, and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits under the Plan and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination, subject to a statutory ceiling on the amount of an individual's monthly benefit.

Defined benefit pension plan benefits are based on years of service and employees' compensation during their years of employment. The Health System's pension funding policy is based upon actuarially calculated amounts to fund normal pension cost.

The Health System froze the Plan as of December 31, 2011, at which time benefit accruals under the Plan ceased. Effective October 1, 2003, the Plan was amended to close the Plan to new participants after October 1, 2003, and to offer current participants the right to continue to participate in the Plan or to freeze their accrued benefits and participate in a defined contribution plan sponsored by the Health System. Approximately 93% of participants at October 1, 2003 elected to continue participation in the Plan.

The asset and liability portfolio was $0 as of September 30, 2020 and allocated 100% to cash at September 30, 2019.

A reconciliation of the projected benefit obligation and a reconciliation of the Plan's assets, the funded status of the Plan, and amounts recognized in the Health System's consolidated balance sheets at September 30, 2020 and 2019, are as follows (in thousands of dollars):

	2020	2019
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 842	$ 194,239
Interest cost		5,491
Actuarial gain	160	(5,845)
Benefits paid		(2,773)
Plan amendments		
Settlements	(1,002)	(190,270)
Benefit obligation at end of year	-	842
Change in plan assets:		
Fair value of plan assets at beginning of year	4,785	181,399
Actual return on plan assets	(285)	1,309
Employer contributions	(3,164)	15,120
Benefits paid		(2,773)
Administrative expenses	(334)	
Settlements	(1,002)	(190,270)
Fair value of plan assets at end of year	-	4,785
Net pension asset (liability)	$ -	$ 3,943

The accumulated benefit obligation was $0 million and $0.8 million as of September 30, 2020 and 2019, respectively. The amounts recognized in the consolidated balance sheets as noncurrent liabilities are $0 million and $0.8 million at September 30, 2020 and 2019, respectively.

As of September 30, 2019, a $4.8 million receivable was accrued for contract true-ups related to the annuity purchase by Principal Financial Services, which was included in other current assets on the balance sheet and reflected as a credit to pension expense, included in fringe benefits on the statement of operations. The amount was received in November 2019. The settlement expense related to the termination of the pension plan was $75.2 million, which is reflected in pension settlement expense on the statement of operations for the year ended September 30, 2019.

The components of net periodic pension costs and other pension-related changes in net assets for fiscal years 2020 and 2019, are as follows (in thousands of dollars):

	2020	2019
Interest cost on projected benefit obligation	$ -	$ 5,491
Expected return on plan assets		(5,459)
Net amortization		3,955
Curtailments		
Settlements		75,225
Net periodic pension cost	-	79,212
Current-year actuarial net loss		3,955
Amortization of net actuarial loss		(3,955)
Settlements		(75,225)
Total recognized in unrestricted net assets	-	(75,225)
Total recognized in net periodic benefit cost and unrestricted net assets	-	$ 3,987

In addition, Cone Health and ARMC Health Care operate certain voluntary savings and defined contribution retirement plans. Contribution expense related to the plans was $36.8 million in 2020 and $40.5 million in 2019 and is reflected in fringe benefits expense in the accompanying consolidated statements of operations.

12. NET ASSETS

A summary of the changes in net assets without restriction attributable to Moses H. Cone Memorial Hospital and Affiliates and the noncontrolling interests for the year ended September 30, 2020, is as follows (in thousands of dollars):

	Total	Moses H. Cone Memorial Hospital & Affiliates	Noncontrolling Interests
Balance—beginning of year	$ 1,751,997	$ 1,758,283	$ (6,286)
Excess of revenues over expenses from consolidated operations	149,610	139,225	10,385
Adoption of new accounting pronouncement unrealized gain on investments	66,118	66,118	
Change in net unrealized gains and losses on investments	(44,976)	(44,976)	
Wellsmith debt to equity conversion	12,802	12,802	
Wellsmith paid in capital	(12,801)	(14,785)	1,984
Close out of joint ventures	7,539	5,405	2,134
Change in the fair value of the floating-to-fixed swap agreements	(12,289)	(12,289)	
Distributions to noncontrolling interests	(5,583)		(5,583)
Other changes in net assets	(136)	(136)	
Increase in net assets without restriction	160,284	151,364	8,920
Balance—end of year	$ 1,912,281	$ 1,909,647	$ 2,634

A summary of the changes in net assets without restriction attributable to Moses H. Cone Memorial Hospital and Affiliates and the noncontrolling interests for the year ended September 30, 2019, is as follows (in thousands of dollars):

	Total	Moses H. Cone Memorial Hospital & Affiliates	Noncontrolling Interests
Balance—beginning of year	$1,730,130	$1,737,140	$(7,010)
(Deficit) excess of revenues over expenses from consolidated operations	(16,288)	(19,171)	2,882
Change in net unrealized gains and losses on investments	(8,392)	(8,392)	
Pension-related changes other than periodic benefit cost	75,225	75,225	
Change in the fair value of the floating-to-fixed swap agreements	(23,589)	(23,589)	
Distributions to noncontrolling interests	(5,486)		(5,486)
Other changes in net assets	397	(2,930)	3,328
Increase in net assets without restriction	21,867	21,143	724
Balance—end of year	$1,751,997	$1,758,283	$(6,286)

Net assets with donor restrictions are available for the following purposes at September 30, 2020 and 2019 (in thousands of dollars):

	2020	2019
Building fund	$ 1,445	$ 2,730
Community outreach	3,918	3,184
Patient support	7,931	7,196
Staff development and education	2,051	1,854
Donor restricted net assets	$15,345	$14,964

Donor restricted funds are those which have been limited by donors to a specific time period or purpose. As required by US GAAP, donor restricted net assets are classified and reported based on the existence or absence of donor-imposed restrictions. Funds associated with donor restrictions are included in assets limited as to use.

13. CONTINGENCIES

The Health System purchases professional and general liability insurance to cover property and medical malpractice claims in excess of $4 million. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. The Health System has estimated and recorded accruals for the self-insurance portion of these arrangements.

The Health System purchases stop loss workers' compensation insurance to cover North Carolina claims in excess of $1 million. The Health System purchases insurance coverage for employees working in states other than North Carolina. The Health System has employed independent actuaries to estimate the ultimate cost for the self-insurance portion, if any, of the settlement of such claims.

The Health System is self-insured for its employee group health insurance and has estimated and recorded accruals for the self-insurance portion of these arrangements. In management's opinion, these accruals provide adequate reserve for loss contingencies.

The Health System is involved in litigation and regulatory investigations arising in the normal course of business. Management believes that these matters will be resolved without material adverse effect on the Health System's financial position, results of operations, or cash flows.

The aggregate amount accrued for these contingencies is approximately $30.4 million and $34.5 million as of September 30, 2020 and 2019, respectively, and are reported in accrued expenses on the accompanying Consolidated Balance Sheets.

CNCNC Liability for Unpaid Health Claims and IBNR

A reconciliation of the changes in CNCNC's unpaid health claims and IBNR recognized in the Health System's consolidated balance sheets at September 30, 2020 and 2019, is as follows (in thousands of dollars):

	2020	2019
Balance of liability for unpaid health claims and IBNR at beginning of year	$ 17,116	$ 12,320
Incurred related to:		
Current year	135,883	138,327
Prior year	(92)	2,365
Total incurred	135,791	140,692
Paid related to:		
Current year	119,380	121,252
Prior year	17,014	14,644
Total paid	136,394	135,896
Balance of liability for unpaid health claims and IBNR at end of year	$ 16,513	$ 17,116

The above rollforward contains $7.6 million and $27.4 million of CNCNC intercompany expenses paid to THN in relation to their risk-sharing arrangement at September 30, 2020 and 2019, respectively. Management believes that the liability for unpaid claims is adequate to cover the ultimate development of claims. The reserves are continually reviewed to reflect current conditions and claim trends, and any resulting adjustments are reflected in operating results in the year the revisions are made.

14. CONCENTRATIONS OF CREDIT RISK

The Health System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2020 and 2019, was as follows:

	2020	2019
Medicare	11.6 %	10.1 %
Medicare Managed Care	22.8	17.8
Medicaid	5.3	4.0
Commercial	53.2	59.5
Other	4.8	5.0
Self-Pay	2.3	3.6
	100.0 %	100.0 %

15. FUNCTIONAL EXPENSES

Expenses are presented by functional classification in accordance with the overall service mission of Cone Health. Primary program services are health care services and are identified with a specific program at the time they are incurred and are reported accordingly. However, some of these expenses require allocation, which is done on the basis of estimates. General and Administration expenses are allocated based on a percentage of actual costs incurred spent in supporting the operations. We believe our allocations are done on a reasonable and consistent basis.

A summary of the functional expenses as of September 30, 2020, is as follows (in thousands of dollars):

	Healthcare Services	General and Administration	Other Entities	Total Operating Expenses
Salaries and wages	$ 668,465	$150,809	$ 33,844	$ 853,118
Fringe benefits	204,664	46,173	6,180	257,017
Supplies	360,128	81,249	382	441,759
Other direct expenses	272,506	61,479	183,328	517,313
Interest expense	12,932	2,917		15,849
Depreciation/amortization	118,481	26,730	591	145,802
Total	$1,637,176	$369,357	$224,325	$ 2,230,858

A summary of the functional expenses as of September 30, 2019, is as follows (in thousands of dollars):

	Healthcare Services	General and Administration	Other Entities	Total Operating Expenses
Salaries and wages	$ 667,524	$114,637	$ 23,236	$ 805,397
Fringe benefits	211,395	36,304	5,451	253,150
Supplies	347,247	59,634	580	407,461
Other direct expenses	294,813	50,629	168,965	514,407
Interest expense	16,975	2,915		19,890
Depreciation/amortization	112,296	19,285	583	132,164
Total	$1,650,250	$283,404	$198,815	$ 2,132,469

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CONSOLIDATING SUPPLEMENTAL SCHEDULES

THE MOSES H. CONE MEMORIAL HOSPITAL AND AFFILIATES

CONSOLIDATING BALANCE SHEET
AS OF SEPTEMBER 30, 2020
(In thousands of dollars)

	Obligated Group						Nonobligated Group			
ASSETS	Operating Corporation	Parent Corporation	Alamance Regional	Community Foundations	Reclassification and Eliminating Entries	Total Group	Other Entities	Alamance Extended Care	Reclassification and Eliminating Entries	Consolidated
CURRENT ASSETS:										
Cash and cash equivalents	$ 177,046	$ 108,965	$ 5	$ 11,747	$ -	$ 299,763	$ 18,562	$10,346	$ -	$ 328,671
Short-term investments	26,688					26,688				26,688
Patient accounts receivable	145,123		902			146,025	29,317	283		175,625
Inventories	32,763		6,340			39,103	288	23		39,414
Assets limited as to use—required for current liabilities					6,674	6,674				6,674
Other current assets	48,987	2,089	650	260		51,986	43,692	536	(6,897)	89,317
Total current assets	430,607	111,054	7,897	14,007	6,674	570,239	91,859	11,188	(6,897)	666,389
LONG-TERM INVESTMENTS	11,234	971,770		156,107	(175,690)	963,421			(3,762)	959,659
ASSETS LIMITED AS TO USE—Net of portion required for current liabilities	4,559				169,016	173,575	53,384	2,711	3,762	233,432
INVESTMENTS IN UNCONSOLIDATED AFFILIATES	50,451	433	155			51,039	53,457		(52,697)	51,799
PROPERTY AND EQUIPMENT—Net	142,472	692,207	266,342	4,712		1,105,733	23,579	51,546		1,180,858
RIGHT-OF-USE ASSETS—Operating (net)	21,654		3,884			25,538	45,044			70,582
RIGHT-OF-USE ASSETS—Finance (net)	8,350		635			8,985	538			9,523
GOODWILL	3,038	479				3,517	6,315			9,832
OTHER ASSETS	40,227	2,013	477	8		42,725	74,819		(19,558)	97,986
INTERCOMPANY RECEIVABLES (PAYABLES)	431,825	(629,420)	336,031	(5,033)		133,403	(133,323)	(80)		-
TOTAL	$1,144,417	$1,148,536	$615,421	$169,801	$ -	$3,078,175	$ 215,672	$65,365	$(79,152)	$3,280,060

(Continued)

THE MOSES H. CONE MEMORIAL HOSPITAL AND AFFILIATES

CONSOLIDATING BALANCE SHEET
AS OF SEPTEMBER 30, 2020
(In thousands of dollars)

LIABILITIES AND NET ASSETS	Obligated Group: Operating Corporation	Parent Corporation	Alamance Regional	Community Foundations	Reclassification and Eliminating Entries	Total Group	Nonobligated Group: Other Entities	Alamance Extended Care	Reclassification and Eliminating Entries	Consolidated
CURRENT LIABILITIES:										
Accounts payable	$ 42,435	$ 12,651	$ 1,906	$ 222	$ -	$ 57,214	$ 6,021	$ 141	$ -	$ 63,376
Accrued expenses	31,107	47,762	50,622	4,772		134,263	161,931	3,896	(15,243)	284,847
Current portion of contract liabilities	146,566					146,566		2,841		149,407
Current portion of operating lease obligations	5,989		1,552			7,541	6,669			14,210
Current portion of finance lease obligations	5,691		60			5,751	153			5,904
Current portion of long-term debt		181,655				181,655	455			182,110
Total current liabilities	231,788	242,068	54,140	4,994	-	532,990	175,229	6,878	(15,243)	699,854
LONG-TERM DEBT—Net of current portion		445,243				445,243	10,519		(10,000)	445,762
OPERATING LEASE OBLIGATIONS—Net of current portion	15,934		2,373			18,307	41,099			59,406
FINANCE LEASE OBLIGATIONS—Net of current portion	2,826		643			3,469	372			3,841
LONG-TERM CONTRACT LIABILITIES—Net of current portion								15,047		15,047
OTHER NONCURRENT LIABILITIES	73,932	(9)	3,165	24		77,112	52,422	236	(1,246)	128,524
Total liabilities	324,480	687,302	60,321	5,018	-	1,077,121	279,641	22,161	(26,489)	1,352,434
NET ASSETS (DEFICIT):										
Net assets without donor restrictions:										
Moses H. Cone Memorial Hospital and Affiliates	807,334	461,234	554,977	164,783	1,001	1,989,329	(67,372)	42,987	(55,297)	1,909,647
Noncontrolling interests									2,634	2,634
Total net assets (deficit) without donor restrictions	807,334	461,234	554,977	164,783	1,001	1,989,329	(67,372)	42,987	(52,663)	1,912,281
Net assets (deficit) with donor restrictions	12,603		123		(1,001)	11,725	3,403	217		15,345
Total net assets (deficit)	819,937	461,234	555,100	164,783	-	2,001,054	(63,969)	43,204	(52,663)	1,927,626
TOTAL	$1,144,417	$1,148,536	$615,421	$169,801	$ -	$3,078,175	$ 215,672	$65,365	$(79,152)	$3,280,060

Note: Entities included in the consolidating balance sheet do not reflect their equity interest in the other entities within the consolidating balance sheet

(Concluded)

THE MOSES H. CONE MEMORIAL HOSPITAL AND AFFILIATES

CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(In thousands of dollars)

	Obligated Group						Nonobligated Group			
	Operating Corporation	Parent Corporation	Alamance Regional	Community Foundations	Eliminating Entries	Total Group	Other Entities	Alamance Extended Care	Eliminating Entries	Consolidated
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT:										
Net patient service revenue	$ 1,357,863	$ -	$ 303,669	$ -	$ -	$ 1,661,532	$337,672	$12,409	$ -	$2,011,613
Other revenue	99,056	53,502	15,349	1	(52,575)	115,333	22,922	3,012	(11,071)	130,196
Premium revenue							155,050		(5,559)	149,491
Net assets released from restriction	1,818		476			2,294				2,294
Total revenue	1,458,737	53,502	319,494	1	(52,575)	1,779,159	515,644	15,421	(16,630)	2,293,594
EXPENSES:										
Salaries and wages	509,160	1,300	82,771	1,369		594,600	252,932	6,320	(734)	853,118
Fringe benefits	173,068	333	29,242	363	(164)	202,842	52,264	2,147	(236)	257,017
Supplies	350,114	(195)	64,328	64		414,311	26,476	1,055	(83)	441,759
Other direct expenses	245,334	10,356	90,467	171	(52,428)	293,900	242,317	4,286	(23,190)	517,313
Interest expense	410	17,488	11			17,909	2,417		(4,477)	15,849
Depreciation and amortization	66,142	47,844	16,904	329		131,219	5,513	9,088	(18)	145,802
Total expenses	1,344,228	77,126	283,723	2,296	(52,592)	1,654,781	581,919	22,896	(28,738)	2,230,858
INCOME (LOSS) FROM OPERATIONS	114,509	(23,624)	35,771	(2,295)	17	124,378	(66,275)	(7,475)	12,108	62,736
NONOPERATING INCOME (EXPENSE):										
Investment income	1,105	59,288		9,840		70,233	3,205	44	(2,339)	71,143
Other nonoperating income (expense)—net	44,086	(7,426)	(1,158)	(2,974)	(17)	32,511	(9,464)	1,079	(8,395)	15,731
Total nonoperating (expense) income	45,191	51,862	(1,158)	6,866	(17)	102,744	(6,259)	1,123	(10,734)	86,874
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE FROM CONSOLIDATED OPERATIONS	159,700	28,238	34,613	4,571		227,122	(72,534)	(6,352)	1,374	149,610
DEFICIT OF REVENUE OVER EXPENSE ATTRIBUTABLE TO NONCONTROLLING INTERESTS									(10,385)	(10,385)
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE ATTRIBUTABLE TO MOSES H. CONE MEMORIAL HOSPITAL AND AFFILIATES	$ 159,700	$ 28,238	$ 34,613	$ 4,571	$ -	$ 227,122	$ (72,534)	$ (6,352)	$ (9,011)	$ 139,225

THE MOSES H. CONE MEMORIAL HOSPITAL AND AFFILIATES

CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(In thousands of dollars)

	Alamance Extended Care	All Other Entities	Consolidated Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Decrease) increase in net assets	$ (6,395)	$ 167,060	$ 160,665
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Change in net unrealized losses on investments		44,976	44,976
Adoption of new accounting pronouncement unrealized gain on investments		(66,118)	(66,118)
Change in fair value of the floating-to-fixed swap agreements		12,289	12,289
Net realized loss on sale of investments		(49,107)	(49,107)
Depreciation and amortization	9,088	136,714	145,802
Amortization of right-of-use assets		14,792	14,792
Asset impairment		4,555	4,555
Loss on disposal of property and equipment		1,595	1,595
Earnings of unconsolidated affiliates		(12,054)	(12,054)
Purchase of unconsolidated entities		(330)	(330)
Distributions from unconsolidated affiliates		7,822	7,822
Distributions to noncontrolling interests		5,583	5,583
CMS Advanced Payment		140,365	140,365
FICA deferral		20,791	20,791
Changes in:			
Patient accounts receivable	431	57,311	57,742
Other current assets		(16,771)	(16,771)
Inventories	(3)	(2,630)	(2,633)
Accounts payable and accrued expenses	224	85	309
Lease liability due to cash payments		(11,728)	(11,728)
Other operating assets	(121)	(12,995)	(13,116)
Other operating liabilities	(2,808)	5,984	3,176
Net cash provided by operating activities	416	448,189	448,605
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property and equipment	(1,884)	(140,314)	(142,198)
Disposal of Finance right-of-use assets		36	36
Purchases of investments		(797,196)	(797,196)
Proceeds from sale of investments	1,421	801,917	803,338
Restriction of funds in Care N' Care Insurance Company of North Carolina, Inc.		(17,042)	(17,042)
Gain on sale of unconsolidated entities		15,097	15,097
Intercompany (payables)/receivables	33	(33)	
Net cash used in investing activities	(430)	(137,535)	(137,965)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from debt issuances and refundable entrance fees	2,492	182,750	185,242
Repayments of debt and entrance fees refunded	(223)	(199,106)	(199,329)
Distributions to noncontrolling interests		(5,583)	(5,583)
Repayments of finance leases		(5,943)	(5,943)
Net cash provided by financing activities	2,269	(27,882)	(25,613)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,255	282,772	285,027
CASH AND CASH EQUIVALENTS:			
Beginning of year	8,091	35,553	43,644
End of year	$10,346	$ 318,325	$ 328,671
SUPPLEMENTAL INFORMATION:			
Cash paid during the year for interest—net of amounts capitalized amounts capitalized	$ -	$ 17,507	$ 17,507
Right-of-use asset additions—operating	$ -	$ 85,373	$ 85,373
Right-of-use asset additions—finance	$ -	$ 24,708	$ 24,708
Debt to equity conversion	$ -	$ 10,719	$ 10,719
Property and equipment purchases in accounts payable	$ 131	$ 9,151	$ 9,282

See notes to consolidated financial statements.

Attachment B
Five Year Forecast Statement

ALAMANCE EXTENDED CARE, INC.
D/B/A THE VILLAGE AT BROOKWOOD

COMPILATION OF A FINANCIAL PROJECTION

FOR THE YEARS ENDING
SEPTEMBER 30, 2021 THROUGH SEPTEMBER 30, 2025

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CliftonLarsonAllen LLP
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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Trustees
Alamance Extended Care, Inc.
d/b/a The Village at Brookwood
Burlington, North Carolina

Management is responsible for the accompanying projected financial statements of Alamance Extended Care, Inc. d/b/a The Village at Brookwood (the "Village"), which comprise the projected statements of financial position as of September 30, 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 summary of significant projection 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") occurs 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 projection, and this report, are intended solely for the information and use of management, the Board of Trustees, and the North Carolina Department of Insurance (pursuant to the requirements of North Carolina General Statutes, Chapter 58, Article 64 and included in the Village'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
March 5, 2021

ALAMANCE EXTENDED CARE, INC. D/B/A THE VILLAGE AT BROOKWOOD
PROJECTED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 5
YEARS ENDING SEPTEMBER 30,
(000s Omitted)

	2021	2022	2023	2024	2025
REVENUES, GAINS, AND OTHER SUPPORT					
Patient Service Revenue, Net	$ 10,145	$ 10,452	$ 10,768	$ 11,165	$ 11,501
Amortization of Entrance Fees	2,430	2,435	2,440	2,451	2,450
Interest Income	41	41	41	41	41
Contribution Revenue - Provider Relief Funds	786	-	-	-	-
Other Revenue	461	461	464	466	464
Total Revenues, Gains, and Other Support	13,863	13,389	13,713	14,123	14,456
OPERATING EXPENSES					
Health Care	2,894	2,695	2,662	2,744	2,827
Resident Services	548	567	581	599	617
Dietary	1,490	1,541	1,581	1,629	1,679
Plant Operations	1,632	1,688	1,732	1,785	1,839
Laundry	22	23	23	24	25
Housekeeping	361	374	384	395	407
General and Administrative	5,092	4,852	4,979	5,132	5,288
Depreciation	2,797	2,880	2,967	3,056	3,147
Total Expenses	14,836	14,620	14,909	15,364	15,829
DEFICIT OF REVENUES UNDER EXPENSES AND DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(973)	(1,231)	(1,196)	(1,241)	(1,373)
Change In Net Assets With Donor Restrictions	-	-	-	-	-
Decrease in Net Assets	(973)	(1,231)	(1,196)	(1,241)	(1,373)
Net Assets - Beginning of Year	43,204	42,231	41,000	39,804	38,563
Net Assets - End of Year	$ 42,231	$ 41,000	$ 39,804	$ 38,563	$ 37,190

ALAMANCE EXTENDED CARE, INC. D/B/A THE VILLAGE AT BROOKWOOD
PROJECTED STATEMENTS OF CASH FLOWS
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 5
YEARS ENDING SEPTEMBER 30,
(000s Omitted)

	2021	2022	2023	2024	2025
CASH FLOWS FROM OPERATING ACTIVITIES					
Decrease in Net Assets	$ (973)	$ (1,231)	$ (1,196)	$ (1,241)	$ (1,373)
Adjustments to Reconcile Decrease in Net Assets					
to Net Cash Used by Operating Activities:					
Depreciation	2,797	2,880	2,967	3,056	3,147
Amortization of Entrance Fees	(2,430)	(2,435)	(2,440)	(2,451)	(2,450)
(Increase) Decrease in Current Assets:					
Accounts Receivable, Net	(181)	(11)	(12)	(15)	(11)
Inventories	(13)	(1)	-	(2)	-
Other Current Assets	206	8	(5)	(10)	(10)
Increase (Decrease) in Current Liabilities:					
Accounts Payable	57	(5)	3	6	6
Accrued Expenses	161	(80)	54	99	100
Grants Payable	(825)	-	-	-	-
Net Cash Used by Operating Activities	(1,201)	(875)	(629)	(558)	(591)
CASH FLOWS FROM INVESTING ACTIVITIES					
(Increase) Decrease in Investments	(2,211)	198	296	285	248
(Increase) Decrease in Assets Limited as to Use	(299)	75	(51)	(91)	(94)
Acquisition of Property and Equipment	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Net Cash Used by Investing Activities	(4,510)	(1,727)	(1,755)	(1,806)	(1,846)
CASH FLOWS FROM FINANCING ACTIVITIES					
Entrance Fees Received	2,846	2,931	3,019	3,110	3,203
Entrance Fees Refunded	(488)	(503)	(518)	(533)	(549)
Net Cash Provided by Financing Activities	2,358	2,428	2,501	2,577	2,654
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,353)	(174)	117	213	217
Cash and Cash Equivalents - Beginning of Year	10,346	6,993	6,819	6,936	7,149
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 6,993	$ 6,819	$ 6,936	$ 7,149	$ 7,366

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

ALAMANCE EXTENDED CARE, INC. D/B/A THE VILLAGE AT BROOKWOOD
PROJECTED STATEMENTS OF FINANCIAL POSITION
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 5
AT SEPTEMBER 30,
(000s Omitted)

	2021	2022	2023	2024	2025
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	$ 6,993	$ 6,819	$ 6,936	$ 7,149	$ 7,366
Patient Accounts Receivable, Net	464	475	487	502	513
Investments	2,211	2,013	1,717	1,432	1,184
Inventories	36	37	37	39	39
Other Current Assets	330	322	327	337	347
Total Current Assets	10,034	9,666	9,504	9,459	9,449
ASSETS LIMITED AS TO USE					
Internally Designated for Statutory Operating Reserve	3,010	2,935	2,986	3,077	3,171
PROPERTY AND EQUIPMENT, NET	50,749	49,869	48,902	47,846	46,699
Total Assets	$ 63,793	$ 62,470	$ 61,392	$ 60,382	$ 59,319
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable	$ 198	$ 193	$ 196	$ 202	$ 208
Accrued Expenses	3,232	3,152	3,206	3,305	3,405
Current Portion of Deferred Revenue from Entrance Fees	2,841	2,841	2,841	2,841	2,841
Total Current Liabilities	6,271	6,186	6,243	6,348	6,454
DEFERRED REVENUE AND OTHER LIABILITIES					
Deferred Revenue from Entrance Fees	3,976	3,973	3,994	4,035	4,103
Refundable Entrance Fees	10,999	10,995	11,035	11,120	11,256
Other Non-Current Liabilities	316	316	316	316	316
Total Deferred Revenue and Other Liabilities	15,291	15,284	15,345	15,471	15,675
Total Liabilities	21,562	21,470	21,588	21,819	22,129
NET ASSETS					
Net Assets Without Donor Restrictions	42,014	40,783	39,587	38,346	36,973
Net Assets With Donor Restrictions	217	217	217	217	217
Total Net Assets	42,231	41,000	39,804	38,563	37,190
Total Liabilities and Net Assets	$ 63,793	$ 62,470	$ 61,392	$ 60,382	$ 59,319

Summary of Significant Projection Assumptions and Accounting Policies

Introduction and Background Information

Basis of Presentation

The accompanying financial projection presents, to the best of the knowledge and belief of management ("Management") the expected financial position, results of operations and changes in net assets, and cash flows of Alamance Extended Care, Inc. d/b/a The Village at Brookwood (the "Village" or "AEC") as of and for each of the five years ending September 30, 2025 (the "Projection Period"). The Village is a nonstock, nonprofit organization established to develop and operate a life plan community and provide housing, health care and related services to the elderly. The Village is an affiliate of ARMC Health Care. ARMC Health Care functions as the sole member of the Village, ARMC Foundation, Inc., ARMC Physicians Care, Inc., and Alamance Regional Medical Center, Inc. and all are considered related parties to the Village. The accompanying financial projection only includes the Village and none of the other affiliates.

A projection, although similar to a forecast, 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 are as follows:

- The merger with Sentara Healthcare, which is not projected to have any financial impact, occurs as projected; and
- 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 Village, COVID-19 may impact various parts of its 2021 and 2022 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 Village 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. Management has projected that its projected occupancies and access to labor would not be materially adversely impacted by COVID-19. In addition, Management has projected utilizing $786,000 of provider relief funds in fiscal year 2021 on expenses related to preventing, preparing for, or responding to the COVID-19 pandemic.

Accordingly, the projection reflects Management's judgment as of March 5, 2021, the date of this projection, of the expected conditions and its expected course of action. The assumptions disclosed herein are the assumptions which Management believes are significant to the financial projection. There will usually be differences between projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

This financial projection is intended solely for the information and use of management, the Board of Trustees, and the North Carolina Department of Insurance (pursuant to the requirements of North Carolina General Statutes, Chapter 58, Article 64 and included in the Village's disclosure statement filing), and is not intended to be and should not be used by anyone other than these specified parties.

Introduction and Background Information (Continued)

Background

Organizational Information

Alamance Extended Care, Inc. d/b/a The Village at Brookwood is a North Carolina not-for-profit corporation which was founded in 1986. The Village has received a determination letter from the Internal Revenue Service stating that the corporation is an organization exempt from federal income tax under Section 501(A) of the Internal Revenue Code of 1986, as amended (the "Code"), as an organization described in Section 501(c)(3) of the Code.

ARMC Health Care (the "Parent") is a not-for-profit corporation chartered by the State of North Carolina in 1986 and is the sole member of the Village, ARMC Foundation, Inc., ARMC Physicians Care, Inc., and Alamance Regional Medical Center, Inc., a North Carolina not-for-profit hospital system located in Burlington, North Carolina. The Parent is not liable for any activities of the Village.

In December 2011, the Parent announced its intent to integrate with the Moses H. Cone Memorial Hospital ("Cone Health"), a nonstock, not-for-profit, parent holding company, in Greensboro, North Carolina. Cone Health is a regional health care system with four hospitals located in Greensboro, North Carolina and one in Reidsville, North Carolina. A due diligence process was engaged and the required regulatory approvals were obtained. The transaction was effective on May 1, 2013. Effective that date, Cone Health became the sole member of the Parent.

In August 2015, the Village and Well-Spring Services, Inc. ("Services") entered into an agreement that provides the Village an opportunity to collaborate on services such as dining, strategic planning, and marketing. The goals of the agreement were to develop an exceptional dining program utilizing Village management versus contract management, develop a strategic plan sharing consultant resources, and to collaborate on marketing strategies to diversify each community's methods of attracting senior adults. This agreement does not affect governance, management, or financial obligations of the Village.

Effective June 2017, the Village and Well Spring Management and Development, Inc. ("WSMD") entered into a management agreement (the "Management Agreement") for an initial period of two years. In adherence to this agreement, WSMD will provide the following contracted employees to the Village: the Executive Director, a Nursing Home Administrator for the skilled nursing facility, and a Director of Nursing. WSMD will assist the Village in the day to day operations of the facility including all functional areas to ensure that all applicable laws and statutory requirements are met. WSMD will receive reimbursement for positions stated above, plus a monthly fixed fee ("Management Fees"). This Management Agreement does not affect financial obligations of the Village, with the exception of the Management Fees described. Management projects that this Management Agreement will be extended throughout the Projection Period.

In July 2020, AEC closed its Edgewood Place Public Skilled Nursing Facility and sold 54 of the 81 bed licenses, keeping the remaining 27 beds licenses.

As of the date of this Projection, Management has not determined the future use of the Edgewood Place Public Skilled Nursing Facility property nor the remaining 27 nursing bed licenses, and as such, Management has projected no activity during 2021 – 2025 except for utility, repairs, other administrative expenses such as insurance coverage, and depreciation expense. Management does not plan to continue to operate Edgewood Place; therefore, depreciation was accelerated in 2020 so that all remaining equipment and real property were fully depreciated, leaving only approximately $517,000 of net book value for land related to Edgewood Place. Management has projected the net book value of the land assets to remain unchanged during the Projection Period. Management does not believe these assets for Edgewood Place Public Skilled Nursing Facility to be impaired, and as such, has not projected any impairment of these assets during the Projection Period.

Introduction and Background Information (Continued)

On August 12, 2020, Cone Health announced that it has signed a member substitution letter of intent to merge with Norfolk, Virginia-based Sentara Healthcare. It is anticipated the merger will occur mid-2021, though specific details are not yet known. No impact to the Village is expected related to this merger and, thus, Management has not projected any financial impact during the Projection Period.

The Board of Trustees for Alamance Extended Care, Inc. has been selected, nominated, and approved by the Board of Trustees of ARMC HealthCare, Inc. ARMC HealthCare, Inc. appointed the Chairperson and Vice-Chairperson who will serve until replaced. The power and authority of the Village shall be vested in its Board of Trustees, which shall have a minimum of eight members and a maximum of seventeen members.

Community Information

The Village owns and manages a life plan community ("LPC") situated on approximately 76 acres located in Burlington, North Carolina called The Village at Brookwood (the "Community"). The Community consists of 110 independent living apartment units (two of which are offline as guest and marketing suites) and 45 independent living cottage units (collectively, the "Independent Living Units"); a 24-unit assisted living facility, which contains 12 traditional assisted living units (the "Traditional Assisted Living Units") and 12 memory support units (the "Memory Support Units") (collectively, the Traditional Assisted Living Units and Memory Support Units are referred to as the "Assisted Living Units"); a 24-bed sheltered nursing unit (the "Nursing Facility" or "Nursing Beds"); a community center; and a wellness center. Collectively, the Assisted Living Units and Nursing Beds are referred to as the "Health Care Center" or "Health Care Beds."

The following table summarizes the type, number, and approximate square footage of the units at the Community.

Introduction and Background Information (Continued)

Table 1
Unit Configuration and Square Footage

Independent Living	Type	Number of Units	Approximate Square Feet
Apartments			
Azalea	1 BR / 1 BA	13	826
Birch[1]	1 BR / 1.5 BA	26	1,113
Camellia [2]	2 BR / 2 BA	29	1,206
Dogwood	2 BR / 2 BA	20	1,352
Elm	2 BR / 2 BA / Den	20	1,596
Garden Homes			
Holly	2 BR / 2 BA	16	1,692
Magnolia	2 BR / 2 BA	23	1,892
Oak	2 BR / 2 BA	6	1,965
Total / Weighted Average		153	1,412

Health Care Units	Number of Units	Approximate Square Feet
Assisted Living Units		
Traditional Assisted Living Units	12	289-367
Memory Support Units	12	289-367
Total	24	
Nursing Beds [3]		
Sheltered Nursing Beds	24	205-297
Total	24	

Source: Management
Notes:

(1) One Birch unit is currently being used as a guest suite and is excluded from the table above.
(2) One Camellia unit is currently being used as a marketing unit and is excluded from the table above.
(3) In July 2020, Management closed Edgewood place and sold 54 of the total 81 Edgewood Nursing Beds. The Village still holds license for 27 beds, but Management has projected the beds to remain offline during the Projection Period and have been excluded from the table.

Summary of Significant Accounting Policies

Basis of Accounting

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

Use of Estimates

The preparation of projected financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported as assets and liabilities and disclosure of contingent assets and liabilities in the projected financial statements and accompanying notes. Estimates also affect the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Assets

The Village classifies its funds for accounting and reporting purposes as follows:

Net Assets Without Donor Restrictions – Resources of the Village that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations and the investment in property and equipment.

Net Assets With Donor Restrictions – Resources that carry a donor-imposed restriction that permits the Village to use or expend the donated assets as specified, or is satisfied by the passage of time or by actions of the Village. Some of these resources may stipulate that donated assets be maintained in perpetuity, but may permit the Village to use or expend part or all of the income derived from the donated assets.

Cash and Cash Equivalents

The Village considers all highly liquid investments, other than those included in assets limited as to use, with a maturity of three months or less when purchased, to be cash equivalents.

Patient Accounts Receivable

The Village records accounts receivable at the net expected balance. The Village provides an allowance for uncollectible accounts using management's judgement. Accounts past due are individually analyzed for collectability. Accounts receivable that management determines will be uncollectable are written off upon such determination. It is the Village's policy to seek collection on all overdue accounts.

Investments

Investments are measured at fair market value based on quoted market values. Investment income or loss (including realized gains and losses on investments) is included in the excess of revenue, gains and other support over expenses, unless the income is restricted by donor or by law. Management does not project any unrealized gains or losses on investments during the Projection Period.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market. Inventories include medical and surgical supplies and pharmaceuticals.

Summary of Significant Accounting Policies (Continued)

Assets Limited as to Use

Assets limited as to use are assumed to be carried at fair value and include assets set aside for North Carolina statutory operating reserves.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at fair market value on the date of receipt. Depreciation is recorded over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. The following estimated useful lives are used to calculate depreciation:

Land Improvements	10 - 15 years
Buildings and Fixed Equipment	5 - 40 years
Moveable Equipment	3 - 15 years

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

Deferred Revenue from Entrance Fees and Refundable Entrance Fees

Entrance fees from the Village's residency and care agreements, excluding the portion that is estimated to be refundable to the resident, are recorded as deferred revenue from entrance fees and are nonrefundable and recognized as income over the estimated life expectancy of each resident. A portion of the entrance fee may be refundable when the residency is terminated. Such refundable amounts are shown as Refundable Entrance Fees in the accompanying projected statements of financial position and are not amortized into income.

Net Resident and Health Care Service Revenue

Net resident service revenue is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive revenue adjustments due to future audits, reviews, and investigations.

Impact of COVID-19 Pandemic on Operations

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic which continues to spread throughout the United States and the world. The CARES Act provided funding" to the Department of Health and Human Services ("DHHS") Public Health and Social Services Emergency Fund ("PHSSEF"), which provided funds to qualifying healthcare providers treating COVID-19 patients to replace lost revenues or reimburse for COVID-19 related costs. Qualifying Relief Fund payments are not subject to repayment but there are certain terms and conditions that must be met in order to qualify for the grant funds. The Village received approximately $825,000 through PHSSEF. Management has projected the Village will utilize these funds on COVID-19 related expenses and, as a result, is recognizing contribution revenue for those directly identifiable COVID-19 related expenses. The Village reflected all $825,000 unspent funding as grant payables on the balance sheet as of September 30, 2020. In addition, Management has received approximately $62,000 more in funds as of January 31, 2021. Management has projected that it will recognize $786,000 of the combined funds into income as allowed under the CARES Act, with the remainder to be paid back to DHHS, during the year ending September 30, 2021. Additionally, Management has projected approximately $100,000 of additional COVID expenses for 2022 with no matching contribution revenue.

Summary of Significant Accounting Policies (Continued)

Income Tax Status

The Village is organized as a nonprofit, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, as amended. Accordingly, no provision for income taxes is included in the accompanying projected statements of operations and changes in net assets.

Summary of Significant Projection Assumptions

Revenues

Independent Living Occupancy

Based on expected marketing efforts and historical occupancy experience, utilization of the Independent Living Units is projected as noted in the following table for the Projection Period.

Table 2
Projected Independent Living Occupancy

Year Ending September 30,	Average Units Available [1]	Average Units Occupied	Average Occupancy
2021	153.0	148.8	97.3%
2022	153.0	149.3	97.6%
2023	153.0	149.8	97.9%
2024	153.0	149.8	97.9%
2025	153.0	149.8	97.9%

Source: Management

Note: (1) One Birch unit is currently being used as a guest suite and is excluded from average available units. In addition, one Camellia unit is currently being used as a marketing suite and is excluded from average available units.

Management has assumed that the number of Independent Living Units to have double occupancy will average approximately 35% for each year in the Projection Period.

Health Care Center Occupancy

Based on expected marketing efforts and historical occupancy experience, utilization of the Health Care Beds is projected as noted in the following tables during the Projection Period.

Table 3
Projected Assisted Living Occupancy

Year Ending September 30,	Average Units Available	Average Units Occupied	Average Occupancy
2021	24.0	21.0	87.5%
2022	24.0	21.0	87.5%
2023	24.0	21.0	87.5%
2024	24.0	21.0	87.5%
2025	24.0	21.5	89.6%

Source: Management

Table 4
Projected Nursing Beds Occupancy

Year Ending September 30,	Average Units Available	Average Units Occupied	Average Occupancy
2021	24.0	21.0	87.5%
2022	24.0	21.0	87.5%
2023	24.0	21.0	87.5%
2024	24.0	21.5	89.6%
2025	24.0	21.5	89.6%

Source: Management

Summary of Significant Projection Assumptions (Continued)

Entrance Fees Receipts and Amortization of Entrance Fees

The Village offers the following four Residence and Services Agreement (the "Residence and Services Agreements") options:

- Fee-for-Service Plans:
  - Fee-for-Service Standard Plan
- Lifecare Plans:
  - Lifecare - Traditional Plan (0% Refundable)
  - Lifecare - 90% Refund Plan
  - Lifecare - 50% Refund Plan

All options require payment of a one-time entrance fee and monthly service fees. Generally, payment of these fees entitles residents to the use and privileges of the facility for life. The Lifecare Plans entitle the resident to full services and amenities as defined in the Residence and Services Agreement. Under the Fee-for-Service Plans, residents who entered into a Residence and Services Agreement after January 1, 2007 pay additional fees for any housekeeping services and meals. Residents who entered into a Residence and Services Agreement prior to January 1, 2007 receive one meal credit per person for each day of the month. The Residence and Services Agreements do not entitle the residents to an interest in the real estate or other property owned by the Village. All residents are fully responsible for payment of the entrance and monthly service fees, associated with their respective plan.

A portion of the entrance fee may be refundable when the residency is terminated. Such refundable amounts are shown as Refundable Entrance Fees in the projected statements of financial position and are not recognized into income. The nonrefundable portion of entrance fees is reduced each month, commencing with the date of occupancy, and recognized as revenue over the estimated life expectancy of residents, and are reflected as Amortization of Entrance Fees on the projected statements of operations and changes in net assets. The unearned portion is classified as Deferred Revenue in the accompanying projection.

Entrance fees generated and refunded are based on turnover of the independent living units, which has been projected by Management based on historical experience, as shown in the following table.

Table 5
Projected Entrance Fees, Net
Years Ending September 30,
(000s Omitted)

	2021	2022	2023	2024	2025
Independent Living Turnover	15	15	15	15	15
Entrance Fees from Turnover	$ 2,846	$ 2,931	$ 3,019	$ 3,110	$ 3,203
Entrance Fees Refunded	(488)	(503)	(518)	(533)	(549)
Total Entrance Fees, Net	$ 2,358	$ 2,428	$ 2,501	$ 2,577	$ 2,654

Source: Management

Summary of Significant Projection Assumptions (Continued)

Based upon historical experience, Management has projected that approximately 56% of the residents would select the Fee-For-Service Standard Plan, 37% would select the Lifecare – Traditional Plan, and 7% would select the Lifecare – 90% Refund Plan. Management has not projected any incoming resident would select the Lifecare 50% Refund Plan. Entrance fees are projected to increase 3% annually during the Projection Period.

Patient Service Revenue, Net

The monthly and daily service fee revenues are based on the projected utilization and the fee schedules in the tables that follow. It is anticipated that the monthly service fees for independent living will be increased 3.00% annually. Independent living revenues are projected net of contractual allowances and discounts.

Table 6
Independent Living Entrance Fees - 2021

		Lifecare Plans			Fee-for-Service Plan
Independent Living	Number of Units	Traditional	90% Refund	50% Refund	Standard
Apartments					
Azalea	13	$ 182,200	$ 355,290	$ 245,970	$ 101,600
Birch	26	223,900	436,610	302,270	133,900
Camellia	29	237,900	463,910	321,170	149,600
Dogwood	20	265,900	518,510	358,970	172,000
Elm	20	294,800	574,860	397,980	191,600
Garden Homes					
Holly	16	301,400	587,730	406,890	226,800
Magnolia	23	324,100	632,000	437,540	247,400
Oak	6	337,700	658,520	455,900	259,300
Total / Weighted Average	153	$ 265,399	$ 517,531	$ 358,292	$ 178,349
Second Person Fee		$ 32,500	$ 63,380	$ 43,880	$ 19,700

Source: Management

Summary of Significant Projection Assumptions (Continued)

Table 7
Independent Living Monthly Service Fees - 2021

Independent Living	Number of Units	All Lifecare Plans	Fee-for-Service Plan
Apartments			
Azalea	13	$ 2,786	$ 2,339
Birch	26	3,029	2,582
Camellia	29	3,312	2,863
Dogwood	20	3,595	3,173
Elm	20	3,898	3,478
Garden Homes			
Holly	16	4,255	3,508
Magnolia	23	4,453	3,734
Oak	6	4,581	3,864
Total / Weighted Average	153	$ 3,653	$ 3,129
Second Person Fee		$ 1,354	$ 783

Source: Management

Residents under the Lifecare Plans requiring skilled nursing and assisted living services receive 14 free Health Care Center days per calendar year, and are then required to pay a Lifecare rate if the 14 free days are used within each calendar year. The Lifecare rate is equivalent to the current weighted average Lifecare monthly service fee of a single resident of the Community, as well as the charge for two additional daily meals not provided for in the monthly service fee.

Occupancy of the Assisted Living Units is projected to be from internal transfers from Independent Living Units. Nursing Bed occupancy is projected to be from internal transfers from both Independent Living Units and Assisted Living Units. Internal transfers include both temporary and permanent transfers. Temporary transfers reside in a Health Care Center Bed for a short-term stay and pay an added fee, in addition to their monthly service fee, according to their Residence and Services Agreement, as well as the cost of two meals per day. The Independent Living Unit is held while temporary transfers reside in the Health Care Center. Upon permanent transfer to the Health Care Center, the Independent Living Unit is released and the resident pays the specified Health Care Center fee, according to their Residence and Services Agreement.

Residents under the Fee-for-Service contracts requiring skilled nursing and assisted living services pay the current market monthly rate or per diem rate for care.

The monthly and daily service fees for private pay Fee-For-Service residents in the Health Care Center have been projected to increase 3.00% annually during the Projection Period. Lifecare rates are projected to increase 3.00% annually, Medicare rates are projected to increase 2.00% annually. Health Care Center revenues are projected net of contractual allowances and discounts.

Summary of Significant Projection Assumptions (Continued)

Table 8
Health Care Center Pricing – 2021

Level of Care	Number of Units	Lifecare Monthly Rates	Fee-for-Service Monthly Rates	Fee-for-Service Per Diem Rates
Traditional Assisted Living Units	12	$4,161	$5,679	$187
Memory Support Units	12	$4,161	$7,348	$242
Sheltered Nursing Beds	24	$4,161	$10,219	$336

Source: Management

Ancillary revenues are projected to average approximately 3.5% of net patient service revenue throughout the Projection Period.

Resident Mix

Management has projected the following Health Care Center resident mix, by contract and payor type, for the Projection Period.

Table 9
Health Care Center Resident Mix by Contract and Payor Type

	Assisted Living		Sheltered Nursing			
Year Ending September 30,	Life Care	Fee-for-Service	Life Care	Medicare	Medicaid	Private Pay
2021	40%	60%	37%	13%	0%	50%
2022	40%	60%	37%	13%	0%	50%
2023	40%	60%	37%	13%	0%	50%
2024	40%	60%	37%	13%	0%	50%
2025	40%	60%	37%	13%	0%	50%

Source: Management

Investment Income

Investment income included in the accompanying projected statements of operations and changes in net assets is based on an assumed blended rate of return of 0.41% annually during the Projection Period, based on cash and cash equivalents and assets limited as to use projected balances.

Other Revenue

Other revenue includes income from additional resident meals and snacks, guest meals, guest apartment rentals, respite care revenue, barber and beauty fees, private duty nursing services, and other miscellaneous revenue. Other revenue based on historical experience and Management has projected at an average of 4.3% of net patient service revenue annually during the Projection Period, according to Management.

Other Revenue Items

During the year ending September 30, 2020, Management received approximately $825,000 in Public Health Social Services Emergency Funds ("PHSSEF") as a result of the CARES Act during the COVID-19 pandemic. Management did not recognize any income related to these funds in the fiscal year ending September 30, 2020.

Summary of Significant Projection Assumptions (Continued)

Additionally, the Village has received an additional $62,000 in PHSSEF as of January 31, 2021. Management has projected that it will recognize $786,000 of the combined funds into income as allowed under the CARES Act, with the remainder to be paid back during the year ending September 30, 2021.

Summary of Significant Projection Assumptions (Continued)

Operating Expenses

Management has presented departmental expenses based on their function. Each projected departmental expense includes salaries and benefits as well as other costs.

Salaries and Benefits

Staffing of the Village is based on the Village's existing staffing levels and the experience of Management giving effect to the level of services offered at the Village. The Village is estimated to employ full-time equivalent ("FTE") employees throughout the Projection Period as noted below in Table 10. An FTE is based on 2,080 hours. Average salary and wage rates are based on current rates paid and are projected to increase approximately 2% annually during the Projection Period. Additionally, beginning in January 2021, Management projected a minimum wage increase with a floor of $15 per hour at the Village.

The costs of employees' fringe benefits are assumed to approximate an average of 39% of salaries and wages and primarily include FICA, medical and dental insurance, long-term disability, life insurance, worker's compensation, and retirement benefits.

The below table presents projected FTEs by department during the Projection Period.

Table 10
Projected FTEs
Years Ending September 30,

Department:	2021	2022	2023	2024	2025
Health Care	37.60	37.27	37.27	37.27	37.27
Resident Services	8.70	8.70	8.70	8.70	8.70
Dietary	33.00	33.00	32.00	32.00	32.00
Plant Operations	7.00	7.00	7.00	7.00	7.00
Laundry	11.75	11.75	11.53	11.53	11.53
Housekeeping	7.00	7.00	7.00	7.00	7.00
Total	105.05	104.72	103.50	103.50	103.50

Source: Management

Health Care

Non-salary related Health Care Center costs are projected based upon Management's estimate of the costs of health care supplies, purchased services, consultants, and other miscellaneous costs associated with providing health care services. These costs are anticipated to increase an average of approximately 2% annually during the Projection Period.

Additionally, non-salary related Health Care Center costs reflect Management's estimate of anticipated resident health care-related COVID-19 expenditures of $386,000 in 2021 and $100,000 in 2022.

Resident Services

Non-salary related resident service costs are projected based upon Management's estimate of providing resident service programs, activities supplies, and other miscellaneous costs associated with resident services. These costs are anticipated to increase an average of approximately 2% annually during the Projection Period.

Summary of Significant Projection Assumptions (Continued)

Dietary

Non-salary related dietary costs are projected based upon Management's estimate of the costs of providing food services to residents of the Village including raw food, dietary supplies, and other miscellaneous costs associated with providing dietary services. These costs are anticipated to increase an average of approximately 2% annually during the Projection Period.

Plant Operations

Non-salary related plant operations costs are projected based upon Management's estimate of the costs of utilities, service contracts, repairs, general maintenance, supplies, and other miscellaneous costs associated with providing plant operations services. These costs are anticipated to increase an average of approximately 2% annually during the Projection Period.

Laundry

Non-salary related laundry costs are projected based upon Management's estimate of the costs of service contracts, laundry supplies, and other miscellaneous costs associated with providing laundry services. These costs are anticipated to increase an average of approximately 2% annually during the Projection Period.

Housekeeping

Non-salary related housekeeping costs are projected based upon Management's estimate of the costs of service contracts, housekeeping supplies, and other miscellaneous costs associated with providing housekeeping services. These costs are anticipated to increase an average of approximately 2% annually during the Projection Period.

General and Administrative

Non-salary related general and administrative costs are projected based upon Management's estimate of the costs of professional fees, Management Fees, insurance, supplies, and other miscellaneous costs. These costs are anticipated to increase an average of approximately 2% annually during the Projection Period.

Additionally, non-salary related general and administrative costs reflect Management's estimate of anticipated general COVID-19 expenditures related to employee testing of $400,000 in 2021.

Property and Equipment and Depreciation Expense

Management estimates that the Village will incur routine capital additions during the Projection Period that will be capitalized as property and equipment. Estimated provisions for depreciation during the Projection Period were computed on the straight-line method using an average 7-year life for furniture, fixtures, equipment, and capital equipment additions.

Summary of Significant Projection Assumptions (Continued)

The following table reflects the major categories of property and equipment throughout the Projection Period.

Table 11
Projected Property and Equipment
(000s Omitted)

	As of September 30,				
	2021	2022	2023	2024	2025
Land and Land Improvements	$ 9,337	$ 9,337	$ 9,337	$ 9,337	$ 9,337
Buildings & Fixed Equipment	65,366	67,302	69,239	71,175	73,111
Movable Equipment	2,168	2,232	2,295	2,359	2,423
	76,871	78,871	80,871	82,871	84,871
Less: Accumulated Depreciation	(26,122)	(29,002)	(31,969)	(35,025)	(38,172)
Property and Equipment, Net	$ 50,749	$ 49,869	$ 48,902	$ 47,846	$ 46,699

Source: Management

Long-Term Debt and Interest Expense

In conjunction with the affiliation of ARMC Health Care with Cone Health in 2013, all bond debt on the buildings of the Village was refinanced by Cone Health. As a result of the refinancing of the debt, the Village is no longer part of the obligated group. The Village has no obligation related to its previous debt and reports no interest expense.

Current Assets and Current Liabilities

Cash and Cash Equivalents
Cash and cash equivalents balances for the Projection Period are projected based on historical levels which approximate 212 days operating expenses (excluding depreciation).

Patient Accounts Receivable, Net
Patient accounts receivable, net of allowance for uncollectible accounts are projected at historical levels which approximate 13 days operating revenue (excluding investment income).

Investments
Investments are projected based on the anticipated cash flows of the Projected Statements of Cash Flows.

Inventories
Inventories have been projected based on historical levels which approximate 1 day operating expense (excluding depreciation).

Other Current Assets
Other current assets have been projected based on historical levels which approximate 10 days operating expenses (excluding depreciation).

Summary of Significant Projection Assumptions (Continued)

Accounts Payable
Accounts payable have been projected based on historical levels which approximate 6 days operating expenses (excluding depreciation).

Accrued Expenses
Accrued expenses have been projected based on historical levels which approximate 98 days operating expenses (excluding depreciation).

Current Portion of Deferred Revenue from Entrance Fees
The current portion of deferred revenue from entrance fees has been projected based on the historical experience of the Village.

Assets Limited as to Use

Under regulations of the North Carolina Department of Insurance, the Village is required to maintain an operating reserve based on projected operating expenses. The operating reserve is based on a certain percentage of operating costs that depends on the independent living and assisted living occupancy. If occupancy is 90 percent or greater, the reserve percentage is 25 percent; otherwise, it is 50 percent of operating costs.

Table 12
Statutory Operating Reserve
(000s Omitted)

	As of September 30,				
	2021	2022	2023	2024	2025
Total Operating Expenses	$ 14,836	$ 14,620	$ 14,909	$ 15,364	$ 15,829
Exclude:					
Depreciation	(2,797)	(2,880)	(2,967)	(3,056)	(3,147)
Total Operating Costs	$ 12,039	$ 11,740	$ 11,942	$ 12,308	$ 12,682
Operating Reserve Percentage [1]	25%	25%	25%	25%	25%
Operating Reserve at 9/30	$ 3,010	$ 2,935	$ 2,986	$ 3,077	$ 3,171

Source: Management

Notes:

(1) Management's projected year-end occupancy percentages:

Available Units:					
Independent Living	153.0	153.0	153.0	153.0	153.0
Assisted Living	24.0	24.0	24.0	24.0	24.0
Total Available Units	177.0	177.0	177.0	177.0	177.0
Occupied Units:					
Independent Living	148.8	149.3	149.8	149.8	149.8
Assisted Living	21.0	21.0	21.0	21.0	21.5
Total Occupied Units	169.8	170.3	170.8	170.8	171.3
Occupancy at Year-end	95.9%	96.2%	96.5%	96.5%	96.8%

Source: Management

Summary of Significant Projection Assumptions (Continued)

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 Village, 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 Village 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. Management has projected that its projected occupancies and access to labor would not be materially adversely impacted by COVID-19. In addition, Management has projected utilizing $786,000 of provider relief funds in fiscal year 2021 on expenses related to preventing, preparing for, or responding to the COVID-19 pandemic.

Attachment C
Un-audited Financial Statement

Alamance Extended Care
Consolidated Statements of Operations
December 31, 2020

	ACTUAL 12/31/2020	ACTUAL Prior R3 Avg	ACTUAL Prior R12 Avg	ACTUAL 12/31/2019	$ Var Prior R3 Avg	$ Var Prior R12 Avg	$ Var 12/31/2019
REVENUE							
Gross Patient Revenue	$ 913,859	$ 912,994	$ 1,094,976	$ 1,582,704	$ 865	$ (181,117)	$ (668,845)
Revenue Deductions	(16)	35,499	130,165	352,727	35,515	130,181	352,743
Net Patient Service Revenue (Note 1)	913,875	877,495	964,811	1,229,977	36,380	(50,936)	(316,102)
Other Operating Revenue	263,841	225,045	246,207	276,441	38,796	17,634	(12,600)
TOTAL OPERATING REVENUES	**1,177,716**	**1,102,540**	**1,211,018**	**1,506,418**	**75,176**	**(33,302)**	**(328,702)**
EXPENSE							
Salaries and Wages	396,079	370,272	431,258	612,813	(25,807)	35,179	216,734
Fringe Benefits	155,752	135,534	167,943	213,228	(20,218)	12,191	57,476
Purchased Personnel	64,234	61,421	60,800	62,684	(2,813)	(3,434)	(1,550)
Supplies	66,268	69,273	79,145	119,653	3,005	12,877	53,385
Other Operating Expense	449,645	334,808	355,039	409,405	(114,837)	(94,606)	(40,240)
Depreciation/Amortization	367,330	2,245,163	755,368	258,664	1,877,833	388,038	(108,666)
TOTAL OPERATING EXPENSE	**1,499,308**	**3,216,471**	**1,849,553**	**1,676,447**	**1,717,163**	**350,245**	**177,139**
INCOME FROM OPERATIONS	**(321,592)**	**(2,113,931)**	**(638,535)**	**(170,029)**	**1,717,163**	**350,245**	**177,139**
OTHER INCOME							
Other Expense (Note 3)	1	354,992	89,874	-	354,991	89,873	(1)
Total Other Income (Expense)	**1,423**	**358,155**	**93,465**	**2,515**	**356,732**	**92,042**	**1,092**
EXCESS OF REVENUES OVER EXPENSE	**(320,169)**	**(1,755,776)**	**(545,070)**	**(167,514)**	**1,435,607**	**224,901**	**(152,655)**
INCREASE IN UNRESTRICTED NET ASSETS	**$ (320,169)**	**$ (1,755,776)**	**$ (545,070)**	**$ (167,514)**	**$ 1,435,607**	**$ 224,901**	**$ (152,655)**
Operating Margin %	-27.31%	-191.73%	-52.73%	-11.29%	164.43%	25.42%	-16.02%
Operating EBIDA Margin %	3.88%	11.90%	9.65%	5.88%	-8.02%	-5.76%	-2.00%
Excess Revenue over Expense Margin %	-27.15%	-120.20%	-41.78%	-11.10%	93.05%	14.63%	-16.05%

Alamcne Extended Care, Inc
BALANCE SHEET
December 31, 2020

ASSETS:	
CURRENT ASSETS:	
Cash	10,562,638
Patient Accounts Receivable	458,941
Allowance for Uncollectibles	(169,462)
Net Patient Accounts Receivable	289,479
Other Receivables	(393,080)
Inventories	22,542
Prepaid Expenses	-
TOTAL CURRENT ASSETS	10,481,580
PROPERTY, PLANT & EQUIPMENT:	
Land & Land Improvements	9,337,020
Buildings & Fixed Equipment	63,847,363
Movable Equipment	2,103,527
Accumuated Depreciation	(24,172,470)
Construction in Progress/Equipment in Progress	(9,947)
Property, Plant & Equipment (Net)	51,105,493
Investments	2,716,205
Other Assets	-
TOTAL ASSETS	64,303,277

LIABILITIES AND NET ASSETS:	
CURRENT LIABILITIES	
Accrued Payroll	2,047,892
Accounts Payable	455,812
Pal & Retirement	221,484
Other Current Liabilities	3,488,275
TOTAL CURRENT LIABILITIES	6,213,463
OTHER NON-CURRENT LIABILITIES	15,311,087
TOTAL LIABILITIES	21,524,550
NET ASSETS:	
UNRESTRICTED FUNDS	42,576,983
TEMPORARILY RESTRICTED FUNDS	201,745
NET ASSETS	42,778,727
LIABILITIES AND NET ASSETS	64,303,277

Attachment D
Residence and Service Agreement
Life Care

LIFE CARE
RESIDENCE AND SERVICES AGREEMENT
The Village at Brookwood

This Life Care Residence and Services Agreement ("Agreement") is made this day of _____, _____, by and between Alamance Extended Care, Inc., d.b.a. THE VILLAGE AT BROOKWOOD, ("The Village" or "Provider") and _____ ("Resident", if more than one person enters into the agreement, the word "Resident" shall apply to them collectively unless otherwise stated).

Whereas, the Provider is a non-profit 501(c)(3) corporation and a wholly owned subsidiary of ARMC Health Care, chartered by the State of North Carolina, and is organized to establish and operate a retirement community; and

Whereas, the Provider operates The Village at Brookwood, a continuing care retirement community located on Brookwood Avenue in Burlington, North Carolina, consisting of apartment residences, garden home residences, a community center with common areas and amenities, wellness center and a licensed health care center providing assisted living, skilled nursing care, and memory care; and

Whereas, the Resident desires to enter into this Agreement with The Village, and has made the following choices regarding residence and accompanying fees:

Residence Number: _____

Residence Type: _____
(hereinafter referred to as "Residence")

Resident Entrance Fee: _____

Co-Resident Entrance Fee: _____

Entrance Fee Option: _____

Resident Monthly Fee: _____

Co-Resident Monthly Fee: _____

Now, therefore, the Resident and the Provider agree as follows:

I. RESIDENCE, COMMON AREAS, AMENITIES, PROGRAMS AND SERVICES

A. Residence. Except as set forth in this Agreement, the Resident has the right to occupy, use, and enjoy the Residence and services of The Village during the term of this Agreement.

B. Furnishings in the Residence. The Village provides flooring, appliances and other furnishings per current standards as described in The Village's current literature. The Resident will be responsible for furnishing the Residence. All furniture and electrical and other appliances provided by the Resident shall be subject to The Village's approval in order to keep the Residence safe and sanitary.

C. Options and Custom Features in the Residence. The Resident may select certain options and custom features for the Residence as described in The Village's literature for an additional charge. Any such options and custom features selected and paid for by the Resident will become the property of The Village. The value of any such improvements will be considered in computing refunds if such options or custom features involve structural changes to the Residence or substantially increase livable square footage in the Residence.

D. Common Areas and Amenities. The Village maintains common areas and amenities for the use and benefit of all residents.

E. Parking. The Village provides parking areas for the Resident's personal vehicle and limited parking for guests.

F. Storage. Limited storage space of one (1) unit per apartment is provided by The Village for apartment residents and shall be in addition to the space in each apartment. Garden homes have storage rooms adjacent to the carport and/or garage.

G. Services and Programs.

1. Utilities. The Village furnishes heating, air conditioning, electricity, water, sewer service, trash removal, basic cable TV and secure WIFI access. The Resident is responsible for the charges for telephone including long distance, expanded cable television service. The Village shall not be responsible for any periods of disruption regarding these utilities.

2. Dining Services. The Village will provide nutritionally balanced meals per published dining hours. The Resident's monthly service fee will include a meal plan, which the Resident may choose in accordance with The Village dining services procedures. The cost of additional meals taken by the Resident will be billed on a monthly basis.

3. **Special Diets**. When authorized by the Village's medical and dietary personnel, meals accommodating special diets may be provided. The Provider may make additional charges for special diets.

4. **Tray Service**. When authorized by The Village, meal delivery may be provided to you in your Residence. The Village may make additional charges for meals delivered to the Residence per current scheduled fees.

5. **Housekeeping Services**. The Village provides weekly housekeeping services. Additional housekeeping may be scheduled at the request and expense of the Resident.

6. **Laundry**. The Village provides washers and dryers in the Residence.

7. **Grounds-keeping**. The Village furnishes basic grounds-keeping services including lawn, tree, and shrubbery care. The Resident may plant and maintain certain areas designated for such purpose by The Village.

8. **Maintenance and Repairs**. The Village maintains and repairs its own improvements, furnishings, appliances, and equipment. The Resident will be responsible for the cost of repairing damage to property of The Village caused by the Resident or any guests of the Resident, ordinary wear and tear excepted.

9. **Transportation**. The Village provides local transportation for medical appointments for residents on a regularly scheduled basis. An additional charge may be made for transportation for special, personal, or group trips.

10. **Security**. The Village provides twenty-four (24) hour staffing to include evening and nighttime security patrol. Emergency call devices are provided, and smoke detectors will be located in each Residence. Security cameras may be located in parking areas and at building entrances or other common areas.

11. **Life Enrichment**. The Village provides planned and scheduled social, recreational, spiritual, educational and cultural activities; arts and crafts classes; and other special activities. Some activities may require an additional charge.

12. **Wellness Programs**. The Village provides a variety of exercise programs, including aquatic classes, exercise equipment and aerobics as a part of an overall Wellness Program.

13. **Health Care Services**:

    a. **Health Care Center**. The Health Care Center consists of licensed Assisted Living, Memory Care, and Skilled Nursing accommodations.

        (1) **Assisted Living Services**. The Assisted Living section of the Provider is licensed by North Carolina as an Adult Care Home, where assistance with daily living activities may include: bathing, dressing, administration of

medication, bed making, three (3) meals per day, housekeeping, transportation, activities, and personal laundry service.

(2) **Memory Care**. The Village provides, in a separate Assisted Living section of the facility licensed by North Carolina as an Adult Care Home, specialized services for memory support. Assistance with daily living activities tailored to the different needs of the residents may include: bathing, dressing, administration of medication, bed making, three (3) meals per day, housekeeping, transportation, specialized activities, and personal laundry service.

(3) **Skilled Nursing Services**. The Village provides nursing care in its licensed nursing center as may be deemed necessary by the Medical Director and/or their staff. The Resident agrees that nursing care provided by The Village shall be limited to care in keeping with licensure requirements. Services may include three (3) meals per day, housekeeping, assistance with daily living activities, and nursing services as ordered by the appropriate physician.

(4) **Staffing**. The Health Care Center is staffed by licensed and certified nursing staff twenty-four (24) hours per day and meets all North Carolina licensing requirements.

b. **Clinic Services**:

(1) A health clinic, staffed with a licensed nurse, is available on site during scheduled hours for resident use.

(2) Additional periodic services may be provided through the Clinic as deemed necessary by The Village. The cost of such services shall be the responsibility of the Resident.

c. **Medical Director**. The overall coordination and supervision of health care services by The Village is provided by a Medical Director who is a physician licensed by the State of North Carolina and selected by Provider.

d. **Physician Services**. The Resident is responsible for the cost of all physician services. Residents are free to choose their personal physicians; however, The Village recommends that the Resident have at least one physician on record that has been approved for admitting privileges by the Alamance Regional Medical Center Medical Staff.

II. FINANCIAL ARRANGEMENTS

A. **Entrance Fee Refund Options**. The Resident agrees to pay to The Village an Entrance Fee as a condition of becoming a Resident. Refunds will be handled as described in Section VI below. The Resident shall choose one of the following Entrance Fee Refund Options:

Entrance Fee Refund Option	Amortization Schedule
Standard	The Entrance Fee (less an initial 6% nonrefundable fee) will be amortized at 2% per month for 47 months after which time the Entrance Fee is fully amortized. Any refund due to the Resident will be paid (as described in Section VI below).
50% Refund	The Entrance Fee (less an initial 6% nonrefundable fee) will be amortized at 2% per month for 22 months. Any refund due to the Resident will be paid (as described in Section VI below).
90% Refund	The Entrance Fee (less an initial 6% nonrefundable fee) will be amortized at 2% per month for 2 months. Any refund due to the Resident will be paid (as described in Section VI below).

The Resident must notify The Village in writing of the selection of the Standard, 50% Refund or 90% Refund Entrance Fee Option on or before the date that the balance of the Entrance Fee is paid as provided in Section II.B. below. The Resident may not change the refund option selected after the date that the balance of the Entrance Fee is paid.

B. **Terms of Payment of the Balance of the Entrance Fee**. The balance of the total Entrance Fee for the Entrance Fee Option selected by the Resident will be due and payable by the mutually agreed upon date of occupancy.

C. **Monthly Fee**. In addition to the Entrance Fee, the Resident agrees to pay a Monthly Fee during occupancy which shall be payable upon receipt of invoice each month. The first month's Monthly Fee is due and payable by the date of occupancy and will be prorated based on the day of the month.

D. **Adjustments in the Monthly Fee**. The Monthly Fee provides for the facilities, programs, and services described in this Agreement and is intended to meet the cost of the expenses associated with the operation and management of The Village. The Village shall have the authority and discretion to adjust the Monthly Fee during the term of this Agreement to reflect increases and changes in costs of providing the facilities, programs, and services described herein consistent with operating on a sound

financial basis and maintaining the quality of services provided to residents. At least a thirty (30) day notice will be given to the Resident before any adjustment in fees or charges.

E. Away Allowance. Residents away from The Village for fourteen (14) consecutive days or more, and who make arrangements in advance with The Village (excluding hospitalizations), will be credited with a current published dining services credit.

F. Monthly Statements. The Village will furnish the Resident with a monthly statement showing the total amount of fees and other charges owed by the Resident which shall be due and payable upon receipt of invoice each month. The Village may charge interest at a rate of one and one-half Percent (1½%) per month on any unpaid balance owed by the Resident Thirty (30) Days after the monthly statement is furnished.

G. Fees and Charges for Health Care Services.

1. **Life Care Benefit**. Should the Resident qualify for services in the Health Care Center, it is understood that at the time of transfer the Resident will be charged a monthly fee known as the Life Care Benefit. The Life Care Benefit will apply to Assisted Living, Assisted Living Memory Care and Skilled Nursing accommodations.

2. **Additional Charges for Ancillary Services**. Charges in addition to the monthly fee may be made for ancillary services provided at The Village. Examples of such additional ancillary charges include, but are not limited to: the cost of prescription and non-prescription medications; surgical, podiatric, dental, optical services; physical examinations; physician services; laboratory tests; physical therapy, occupational therapy, rehabilitative treatments; wheelchairs; other medical equipment and supplies; and any other medical services beyond those available in The Village. Such services are contracted and may not be regularly available. Also, any professional services (medical or otherwise) contracted by the Resident or on behalf of the Resident shall be billed directly to the Resident or their assigned third party.

3. **Illness Away From the Village**. The Resident agrees to assume all financial responsibility for hospital, medical and nursing care during any illness or accident occurring while away from The Village and to see that, upon return, full medical information is supplied to The Village for the Resident's medical records file.

4. **Life Care Respite Benefit**. Fourteen (14) days of qualified respite care are available to Life Care Residents on an annual basis. This benefit applies to skilled nursing only.

III. ADMISSION REQUIREMENTS AND PROCEDURES

The admission requirements for residence at The Village are non-discriminatory; The Village is open to individuals of all races, color, gender, religious beliefs, sexual orientation

and national origin. A prospective resident will become qualified for admission to The Village upon satisfaction of the following provisions:

A. **Age**. Generally, admission is restricted to persons 62 years of age or older. If one member of the residential party is 62, the co-resident may be 55 years of age or older.

B. **Residence and Services Agreement**. Upon notification of acceptance by Provider, the Resident shall enter into this Agreement.

C. **Representations**. The Resident affirms that the representations made in the required Application for Residency as well as the Reservation Agreement that was previously executed by the parties (which representations include a confidential personal and health history and a financial disclosure), are true and correct and may be relied upon by the Provider as a basis for entering into this Agreement.

D. **Direct Admission to Health Care Center**. Upon admission, if it is determined by Provider that Resident is unable to live independently in the residence, such resident may be offered direct admission to the Health Care Center. Such Resident shall pay monthly fees equal to the current Fee for Service per diem rate (as described in The Village's current literature) in the Health Care Center (for the required level of care, Assisted Living, Skilled Care or Memory Care). Residents directly admitted to the Health Care Center shall complete the Amendment to Residence and Services Agreement for Direct Admission to Health Care and documents as required by the Provider and North Carolina licensure statutes. In the event a Resident that qualifies for direct admission into the Health Care Center has a Co-Resident that does not qualify for such direct admission, the Co-Resident shall continue to be governed by the terms of this Agreement as a single occupant of the Residence.

IV. TERMS OF OCCUPANCY

A. **Rights of Resident**. The Resident has the right to occupy, use, and enjoy the Residence, common areas, amenities, programs, and services of The Village during the term of this Agreement. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by the Provider other than the rights and privileges as described in this Agreement.

Occupancy (and the obligations of the Provider for care of the Resident) shall be defined as beginning when the Resident has paid the Entrance Fee in full and has paid the first month's Monthly Fee.

B. **Policies and Procedures**. The Resident will abide by The Village's policies and procedures and such amendments, modifications, and changes of the policies and procedures as may hereafter be adopted by the Provider.

C. **Changes in the Residence, Services, or Fees**. Provider has the right to change the Residence, the services offered, or the fees charged to meet requirements of, or changes to any applicable statute, law, or regulation. The Residence may not be used in any manner in violation of any zoning ordinances or other governmental law or regulation.

D. Visitors. The Resident shall be free to invite guests to the Residence for daily and overnight visits. Guest rooms may be available from time to time at a reasonable rate for overnight stays by your guests. The Village reserves the right to make rules regarding visits and guest behavior and may limit or terminate a visit at any time for reasons it deems appropriate. Two (2) weeks is the maximum continuous stay for guests unless prior approval from the Executive Director is obtained. Except for short-term guests, no person other than the Resident or a Co-Resident, if any, may reside in the Residence without prior approval of The Village.

E. Occupancy by Two Residents. In the event that two Residents occupy a Residence under the terms of this Agreement, upon the permanent transfer to the Health Care Center or the death of one Resident, or in the event of the termination of this Agreement with respect to one of the Residents, the Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Residence. Should the remaining or surviving Resident wish to move to another residence, the policies of The Village governing said residence transfer will prevail.

F. Addition of a Co-Resident or Marriage. If a Resident marries a person who is also a Resident, the two Residents may occupy the Residence of either Resident and shall surrender the Residence not to be occupied by them. Such married Residents will pay the Monthly Fee for double occupancy associated with the Residence occupied by them. In the event that a Resident shall marry a person who is not a Resident of The Village, the spouse may become a Resident if such spouse meets all the current requirements for admission to The Village, enters into a current version of the Life Care Residence and Services Agreement with Provider, and pays the current single person Entrance Fee for the smallest one bedroom apartment at The Village. The Resident and spouse shall pay the Monthly Fee for double occupancy associated with the Residence occupied by them. If the Resident's spouse does not meet the requirements of The Village for admission as a resident, the Resident may terminate this Agreement in the same manner as provided in Section VI.B. hereof with respect to a voluntary termination.

G. Loss or Damage of Property. Provider shall not be responsible for the loss or damage of any property belonging to the Resident due to theft, mysterious disappearance, fire or any other cause. Resident shall provide any desired insurance protection covering any such personal loss. Provider shall insure all property (except personal property) within all residences and common areas belonging to The Village.

H. Health Insurance and Assignments. If not already enrolled, the Resident shall apply for and secure, before taking occupancy, coverage under Medicare Parts A and B and any other hospital or medical insurance benefit program which supplements Medicare or other comparable insurance accepted by Provider. The Resident shall provide Provider with evidence of such coverage or of an acceptable substitute insurance plan and shall pay all premiums.

The Resident shall authorize, as necessary, any provider of hospital, medical, and health services to receive reimbursement under the programs designated in this Section IV. H.

If the Resident is or becomes entitled to medical care and/or reimbursement from governmental agencies or insurance policies, application shall be made for such care and benefits, and the Resident shall assign all insurance proceeds receivable to Provider to the extent necessary to reimburse Provider for all health care expenditures made by Provider on behalf of the Resident.

I. **Right of Entry**. Resident hereby authorizes employees or agents of Provider to enter the Residence for reasonable purposes, including without limitation the following: housekeeping, repairs, maintenance, inspection, fire drills, and in the event of emergency. Provider shall when feasible use reasonable efforts to enter at scheduled times or upon prior notice to Resident. Resident shall afford Provider's employees or agents access to all areas of the Residence when requested to ensure that the Residence is maintained in good repair in accordance with this Agreement and to ensure the health and safety of Resident and other Residents.

J. **Residents' Association**. Residents of The Village are encouraged to participate in the Residents' Association Committees. The organization elects representatives, officers, and other positions to engage in concerted activities set forth by the Residents' Association.

K. **Tobacco Free Campus**. The Village at Brookwood is a Tobacco Free Campus. Smoking and tobacco use is prohibited for residents, staff and visitors.

V. TRANSFERS OR CHANGES IN LEVELS OF CARE

A. **Voluntary Transfer between Independent Residences**. The Resident may transfer from one independent Residence to another. The Resident shall comply with The Village's current Resident Transfer Advantage Program for selection of such Residence. There may be a refurbishment fee (for the Residence being vacated) charged for such a transfer.

1. **Transfer of Resident to a Larger Residence**. If the Resident elects to transfer to a larger Residence, an additional Entrance Fee (according to the Entrance Fee Refund Option selected at the original Date of Occupancy) equal to the difference between the Entrance Fee for the smaller Residence and the Entrance Fee for the larger Residence will be due to The Village. The Resident will also pay the Monthly Service Fee associated with the larger Residence.

2. **Transfer of Resident to a Smaller Residence**. The Resident may elect to transfer to a smaller Residence and pay the current monthly service fee for that Residence. The transfer to a smaller Residence shall not result in any entrance fee refund.

B. **Transfer to the Health Care Center**. The Resident agrees that Provider shall have authority to determine that the Resident be transferred from one level of care to another

level of care within The Village. Such determination shall be based on the professional opinion of the Medical Director and shall be made after reasonable efforts to consult with the Resident or the Resident's chosen and legal representative.

C. Transfer to Hospital or Other Facility. If it is determined by Provider that the Resident needs care beyond that which can be provided by The Village; the Resident may be transferred to a hospital, center, or institution equipped to give such care and such care will be at the expense of the Resident. Such transfer of the Resident will be made only after consultation to the extent possible with the Resident or the Resident's chosen and legal representative.

D. Surrender of Residence. If a determination is made by Provider that any transfer described in Section V.B. or V.C. is likely to be permanent in nature, the Resident agrees to surrender the Residence upon such transfer. The Provider shall continue charging the monthly fees until such time that the Residence is vacated. If Provider subsequently determines that the Resident can resume occupancy in a Residence or accommodation comparable to that occupied by the Resident prior to such transfer, the Resident shall have priority to such residence as soon as it becomes available.

VI. TERMINATION AND REFUND PROVISIONS

A. Termination by Resident Prior to Occupancy. This Agreement may be terminated by the Resident for any reason prior to occupancy by giving written notice to Provider. In the event of such termination, the Resident shall receive a refund of the 10% Deposit paid by the Resident, less any expenses incurred by The Village and less a nonrefundable fee equal to 2% of the total amount of the selected Entrance Fee option.

If the Resident dies before occupying the Residence, or if, on account of illness, injury, or incapacity, the Resident would be precluded from occupying the Residence under the terms of this Agreement, this Agreement is automatically canceled. The nonrefundable fee (equal to 2% of the total amount of the selected Entrance Fee option) will not be charged, however, if such termination is because of death of a Resident, or because the Resident's physical, mental or financial condition makes the Resident ineligible for entrance to The Village.

Any such refund shall be paid by The Village within sixty (60) days following receipt of notification of such termination. Provider requires that such notification be in writing.

B. Voluntary Termination after Occupancy. At any time after occupancy, the Resident may terminate this Agreement by giving Provider thirty (30) days written notice of such termination. Such notice effectively releases the Residence to The Village. Any refunds of the Entrance Fee due to the Resident shall be calculated based upon the Entrance Fee option chosen by the Resident and as described in Section II.A. Any refund due the Resident under this paragraph will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one

(1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.

C. Termination upon Death. In the event of death of the Resident at any time after occupancy, this Agreement shall terminate and the refund of the Entrance Fee paid by the Resident shall be calculated based upon the Entrance Fee option chosen by the Resident and as described in Section II.A. Any refund due to the Resident's estate will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.

D. Termination by Provider. Provider may terminate this Agreement at any time if there has been a material misrepresentation or omission made by the Resident in the Resident's Application for Admission, Personal Health History, or Confidential Financial Statement; if the Resident fails to make payment to Provider of any fees and charges due The Village within sixty (60) days of the date when due; or if the Resident does not abide by the rules and regulations adopted by Provider or breaches any of the terms and conditions of this Agreement. Any refunds of the Entrance Fee due to the Resident shall be calculated based upon the Entrance Fee option chosen by the Resident and as described in Section II.A. Any refund due the Resident under this paragraph will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.

E. Condition of Residence. At termination of this Agreement, the Resident shall vacate the Residence and shall be liable to The Village for any cost incurred in restoring the Residence to good condition except for normal wear and tear. The Provider shall continue charging the monthly fees until such time that the Residence is vacated. Any refunds due the Resident upon termination may be credited against the cost of returning the Residence to its original condition.

VII. RIGHT OF RESCISSION

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by the Resident giving written notice of such rescission to The Village within thirty (30) days following the later of the execution of this Agreement or the receipt of the Disclosure Statement that meets the requirements of Section 58-64-25, et.seq. of the North Carolina General Statutes. In the event of such rescission, the Resident shall receive a refund of the Entrance Fee paid by the Resident, less 2%. The Resident shall not be required to move into The Village before the expiration of such thirty (30) day period. Any such refund shall be paid by The Village within sixty (60) days following receipt of written notice of rescission pursuant to this paragraph.

VIII. FINANCIAL ASSISTANCE

Provider declares that it is the intent of The Village to permit a Resident to continue to reside at The Village if the Resident is no longer capable of paying the prevailing fees and charges of The Village as a result of financial reversals occurring after occupancy, provided such reversals, in Provider's judgment, are not the result of willful or unreasonable dissipation of the Resident's assets. In the event of such circumstances, Provider will give careful consideration to subsidizing the fees and charges payable by the Resident so long as such subsidy can be made without impairing the ability of Provider to operate on a sound financial basis. Any determination by Provider with regard to the granting of financial assistance shall be within the sole discretion of Provider.

IX. GENERAL

A. **Relationships between Residents and Staff Members**. Employees of The Village are supervised solely by The Village's management staff, and not by residents. Employees and their families may not accept gratuities, bequests, or payment of any kind from residents. Any complaints about employees or requests for special assistance must be made to the appropriate supervisor or to the Executive Director or his/her designee. The Resident acknowledges and agrees that the Resident or the Resident's family will not hire The Village's employees or solicit such employees to resign their employment at The Village in order to work for the Resident or the Resident's family. The Resident also acknowledges and agrees that, unless consented to by The Village, the Resident will not hire any former Village employee until three (3) months has elapsed from the date of termination of the person's employment at The Village.

B. **Assignment**. The rights and privileges of the Resident under this Agreement to the Residence, common areas, and amenities, and services, and programs of The Village are personal to the Resident and may not be transferred or assigned by the Resident or otherwise.

C. **Management of The Village at Brookwood**. The absolute rights of management are reserved by Provider, its Board of Directors, and its administration as delegated by said Board of Directors. The Village retains all authority regarding acceptance of Residents, adjustment of fees, financial assistance, and all other aspects of the management of The Village. Residents do not have the right to determine admission or terms of admission of any other Resident.

D. **Entire Agreement**. This Agreement constitutes the entire agreement between Provider and the Resident. Provider shall not be liable or bound in any manner by any statements, representations, or promises made by any person representing or assuming to represent Provider, unless such statements, representations, or promises are set forth in this Agreement.

E. **Successors and Assigns**. Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of The Village and the heirs, executors, administrators, and assigns of the Resident.

F. **Power of Attorney, Will, Living Will, and Health Care Power of Attorney**. The Resident agrees to execute a power of attorney designating some competent person as attorney-in-fact. The Resident is also encouraged to execute a will, Living Will and Health Care Power of Attorney. The Resident shall provide The Village with copies of Power of Attorney, Living Will, and Health Care Power of Attorney, as well as the location of the Will, prior to occupancy.

G. **Transfer of Property**. The Resident agrees not to make any gift or other transfer of property for less than adequate consideration for the purpose of evading the Resident's obligations under this Agreement or if such gift or transfer would render such Resident unable to meet such obligations.

H. **Governing Law**. This Agreement shall be governed by the laws of the State of North Carolina.

I. **Disclosure Statement**. The Resident acknowledges that a current copy of the Disclosure Statement for The Village at Brookwood has been received.

J. **Third Party Injuries and Claims**. Provider is not required to provide any medical, surgical, nursing or other care for the Resident when the Resident is injured as a result of the fault or negligence of a third party or parties. The Resident shall promptly notify Provider of any such injury. In the event that Provider provides such care as can be furnished by its employees and facilities, the Resident hereby assigns to Provider any compensation that the Resident may recover from such third party or parties to the extent necessary to reimburse Provider for the cost of such care furnished by Provider. The Resident or his legal representative shall have the duty to pursue diligently any and all proper claims for compensation due from a third party or parties for injury to the Resident and to cooperate with Provider in collecting such compensation and reimbursing Provider for the cost of all such care provided the Resident.

K. **Affiliations of the Provider**. The Village at Brookwood is not affiliated with any religious or charitable provider other than its owner, ARMC Health Care. All financial and contractual obligations of The Village at Brookwood will be the sole responsibility of The Village; the owner will not be responsible for any of these obligations.

L. **Notice Provisions**. Any notices, consents, or other communications to The Village hereunder (collectively "notices") shall be in writing and addressed as follows:

Executive Director
The Village at Brookwood
1860 Brookwood Avenue
Burlington, North Carolina 27215

The address of the Resident for the purpose of giving notice is the address appearing after the signature of the Resident below.

IN WITNESS WHEREOF, The Provider has executed this Agreement and Resident has read and understands this Agreement and has executed this Agreement as of the day and year above written.

Witness	Resident
Witness	Co-Resident
	Date
	Address (Prior to Occupancy)
	City, State, Zip Code
	Telephone
	THE VILLAGE AT BROOKWOOD
	Signature (Executive Director)
	Date

EXHIBIT A

TARGET OCCUPANCY DATE: _____

FEE SCHEDULE: Entrance Fees and Monthly Fees are based on the type of Residence you occupy and the number of persons residing in the Residence. The Residence you have selected, and the applicable fees are stated below:

RESIDENCE NUMBER: _____

RESIDENCE TYPE: _____

ENTRANCE FEE FOR:
( ) Resident _____

( ) Co-Resident _____

TOTAL ENTRANCE FEE: _____

CREDIT FOR FRIENDS ADVANTAGE PROGRAM (FAP) OR WAIT LIST: (_____)

CREDIT FOR PARTIAL PAYMENTS OF THE ENTRANCE FEE RECEIVED: (_____)

ENTRANCE FEE BALANCE DUE AND PAYABLE: _____

MONTHLY FEE FOR:
( ) Resident _____

( ) Co-Resident _____

TOTAL MONTHLY FEE: _____

REFUND OPTION SELECTED:
( ) Life Care – Standard, Declining Refund

( ) Life Care – Fifty Percent (50%) Refund

( ) Life Care – Ninety Percent (90%) Refund

ADDRESSES FOR REQUIRED NOTICE:

To The Village:

The Village at Brookwood
Attention: Executive Director
1860 Brookwood Avenue
Burlington, NC 27215

To You Prior to Occupancy:

Name: _____

Address: _____

City, State, Zip Code: _____

To You Following Occupancy:

Name: _____

Address: _____

City, State, Zip Code: _____

Your signature below certifies that you have read, understand and accept this Exhibit A.

Applicant: _____

Co-Applicant: _____

Date: _____

Attachment E
Residence and Services Agreement
Fee for Service

FEE FOR SERVICE
RESIDENCE AND SERVICES AGREEMENT
The Village at Brookwood

This Fee for Service Residence and Services Agreement ("Agreement") is made this _____ day of _____, _____, by and between Alamance Extended Care, Inc., d.b.a. THE VILLAGE AT BROOKWOOD, ("The Village" or "Provider") and _____ ("Resident", if more than one person enters into the agreement, the word "Resident" shall apply to them collectively unless otherwise stated).

Whereas, the Provider is a non-profit 501(c)(3) corporation and a wholly-owned subsidiary of ARMC Health Care, chartered by the State of North Carolina, and is organized to establish and operate a retirement community; and

Whereas, the Provider operates The Village at Brookwood, a continuing care retirement community located on Brookwood Avenue in Burlington, North Carolina, consisting of apartment residences, garden home residences, a community center with common areas and amenities, wellness center and a licensed health care center providing assisted living, skilled nursing care, and memory care; and

Whereas, the Resident desires to enter into this Agreement with The Village, and has made the following choices regarding residence and accompanying fees:

Residence Number: _____

Residence Type: _____
(hereinafter referred to as "Residence")

Resident Entrance Fee: _____

Co-Resident Entrance Fee: _____

Resident Monthly Fee: _____

Co-Resident Monthly Fee: _____

Now, therefore, the Resident and the Provider agree as follows:

I. RESIDENCE, COMMON AREAS, AMENITIES, PROGRAMS AND SERVICES

A. Residence. Except as set forth in this Agreement, the Resident has the right to occupy, use, and enjoy the Residence and services of The Village during the term of this Agreement.

B. Furnishings in the Residence. The Village provides flooring, appliances and other furnishings per current standards as described in The Village's current literature. The Resident will be responsible for furnishing the Residence. All furniture and electrical and other appliances provided by the Resident shall be subject to The Village's approval in order to keep the Residence safe and sanitary.

C. Options and Custom Features in the Residence. The Resident may select certain options and custom features for the Residence as described in The Village's literature for an additional charge. Any such options and custom features selected and paid for by the Resident will become the property of The Village. The value of any such improvements will be considered in computing refunds if such options or custom features involve structural changes to the Residence or substantially increase livable square footage in the Residence.

D. Common Areas and Amenities. The Village maintains common areas and amenities for the use and benefit of all residents.

E. Parking. The Village provides parking areas for the Resident's personal vehicle and limited parking for guests.

F. Storage. Limited storage space of one (1) unit per apartment is provided by The Village for apartment residents and shall be in addition to the space in each apartment. Garden homes have storage rooms adjacent to the carport and/or garage.

G. Services and Programs.

1. Utilities. The Village furnishes heating, air conditioning, electricity, water, sewer service, trash removal, basic cable TV and secure WIFI access. The Resident is responsible for the charges for telephone including long distance and expanded cable television service. The Village shall not be responsible for any periods of disruption regarding these utilities.

2. Dining Services. The Village will provide nutritionally balanced meals per published dining hours. The Resident's monthly service fee will include a meal plan, which the Resident may choose in accordance with The Village dining services procedures. The cost of additional meals taken by the Resident will be billed on a monthly basis.

3. **Special Diets.** When authorized by the Provider's medical and dietary personnel, meals accommodating special diets may be provided. The Provider may make additional charges for special diets.

4. **Tray Service.** When authorized by The Village, meal delivery may be provided to you in your Residence. The Village may make additional charges for meals delivered to the Residence per current scheduled fees.

5. **Housekeeping Services.** The Village provides housekeeping services every other week. Additional housekeeping may be scheduled at the request and expense of the Resident.

6. **Laundry.** The Village provides washers and dryers in the Residence.

7. **Grounds-keeping.** The Village furnishes basic grounds-keeping services including lawn, tree, and shrubbery care. The Resident may plant and maintain certain areas designated for such purpose by The Village.

8. **Maintenance and Repairs.** The Village maintains and repairs its own improvements, furnishings, appliances, and equipment. The Resident will be responsible for the cost of repairing damage to property of The Village caused by the Resident or any guests of the Resident, ordinary wear and tear excepted.

9. **Transportation.** The Village may provide transportation services for residents. An additional charge may be made for transportation for special, personal, or group trips.

10. **Security.** The Village provides twenty-four (24) hour staffing to include evening and nighttime security patrol. Emergency call devices are provided and smoke detectors will be located in each Residence. Security cameras may be located in parking areas and at building entrances or other common areas.

11. **Life Enrichment.** The Village provides planned and scheduled social, recreational, spiritual, educational and cultural activities; arts and crafts classes; and other special activities. Some activities may require an additional charge.

12. **Wellness Programs.** The Village provides a variety of exercise programs, including aquatic classes, exercise equipment and aerobics as a part of an overall Wellness Program.

13. **Health Care Services:**

    a. **Health Care Center**. The Health Care Center consists of licensed Assisted Living, Memory Care, and Skilled Nursing accommodations.

        (1) **Assisted Living Services**. The Assisted Living section of the Provider is licensed by North Carolina as an Adult Care Home, where assistance with daily living activities may include: bathing, dressing, administration of

medication, bed making, three (3) meals per day, housekeeping, transportation, activities, and personal laundry service.

(2) **Memory Care**. The Village provides, in a separate Assisted Living section of the facility licensed by North Carolina as an Adult Care Home, specialized services for memory support. Assistance with daily living activities tailored to the different needs of the residents may include: bathing, dressing, administration of medication, bed making, three (3) meals per day, housekeeping, transportation, specialized activities, and personal laundry service.

(3) **Skilled Nursing Services**. The Village provides nursing care in its licensed nursing center as may be deemed necessary by the Medical Director and/or their staff. The Resident agrees that nursing care provided by The Village shall be limited to care in keeping with licensure requirements. Services may include three (3) meals per day, housekeeping, assistance with daily living activities, and nursing services as ordered by the appropriate physician.

(4) **Staffing**. The Health Care Center is staffed by licensed and certified nursing staff twenty-four (24) hours per day and meets all North Carolina licensing requirements.

b. **Clinic Services**:

(1) A health clinic, staffed with a licensed nurse, is available on site during scheduled hours for resident use.

(2) Additional periodic services may be provided through the health clinic as deemed necessary by The Village. The cost of such services shall be the responsibility of the Resident.

c. **Medical Director**. The overall coordination and supervision of health care services by The Village is provided by a Medical Director who is a physician licensed by the State of North Carolina and selected by Provider.

d. **Physician Services**. The Resident is responsible for the cost of all physician services. Residents are free to choose their personal physicians; however, The Village recommends that the Resident have at least one physician on record that has been approved for admitting privileges by the Alamance Regional Medical Center Medical Staff.

II. FINANCIAL ARRANGEMENTS

A. **Entrance Fee Refund**. The Resident agrees to pay to The Village an Entrance Fee as a condition of becoming a Resident. Refunds will be handled as described in Section VI below.

Entrance Fee Refund	Amortization Schedule
Standard	The Entrance Fee (less an initial 6% nonrefundable fee) will be amortized at 2% per month for 47 months after which time the Entrance Fee is fully amortized. Any refund due to the Resident will be paid (as described in Section VI below).

B. **Terms of Payment of the Balance of the Entrance Fee**. The balance of the total Entrance Fee will be due and payable by the mutually agreed upon date of occupancy.

C. **Monthly Fee**. In addition to the Entrance Fee, the Resident agrees to pay a Monthly Fee during occupancy which shall be payable upon receipt of invoice each month. The first month's Monthly Fee is due and payable by the date of occupancy and will be prorated based on the day of the month.

D. **Adjustments in the Monthly Fee**. The Monthly Fee provides for the facilities, programs, and services described in this Agreement and is intended to meet the cost of the expenses associated with the operation and management of The Village. The Village shall have the authority and discretion to adjust the Monthly Fee during the term of this Agreement to reflect increases and changes in costs of providing the facilities, programs, and services described herein consistent with operating on a sound financial basis and maintaining the quality of services provided to residents. At least a thirty (30) day notice will be given to the Resident before any adjustment in fees or charges.

E. **Monthly Statements**. The Village will furnish the Resident with a monthly statement showing the total amount of fees and other charges owed by the Resident which shall be due and payable upon receipt of invoice each month. The Village may charge interest at a rate of one and one-half Percent (1½%) per month on any unpaid balance owed by the Resident Thirty (30) Days after the monthly statement is furnished.

F. **Fees and Charges for Health Care Services**.

Should the Resident need and qualify for the services of the Health Care Center, it is understood that the Resident will be charged the published "per diem rate" for those services. The Village will file Medicare and third party insurance when deemed to be a covered benefit.

1. **Additional Charges for Ancillary Services**. Charges in addition to the monthly fee may be made for ancillary services provided at The Village. Examples of such

additional ancillary charges include, but are not limited to: the cost of prescription and non-prescription medications; surgical, podiatric, dental, optical services; physical examinations; physician services; laboratory tests; physical therapy, occupational therapy, rehabilitative treatments; wheelchairs; other medical equipment and supplies; and any other medical services beyond those available in The Village. Such services are contracted and may not be regularly available. Also, any professional services (medical or otherwise) contracted by the Resident or on behalf of the Resident shall be billed directly to the Resident or their assigned third party.

2. **Illness Away From the Village**. The Resident agrees to assume all financial responsibility for hospital, medical and nursing care during any illness or accident occurring while away from The Village and to see that, upon return, full medical information is supplied to The Village for the Resident's medical records file.

III. ADMISSION REQUIREMENTS AND PROCEDURES

The admission requirements for residence at The Village are non-discriminatory; The Village is open to individuals of all races, color, gender, religious beliefs, sexual orientation and national origin. A prospective resident will become qualified for admission to The Village upon satisfaction of the following provisions:

A. Age. Generally, admission is restricted to persons 62 years of age or older. If one member of the residential party is 62, the co-resident may be 55 years of age or older.

B. Residence and Services Agreement. Upon notification of acceptance by Provider, the Resident shall enter into this Agreement.

C. Representations. The Resident affirms that the representations made in the required Application for Residency as well as the Reservation Agreement that was previously executed by the parties (which representations include a confidential personal and health history and a financial disclosure), are true and correct and may be relied upon by the Provider as a basis for entering into this Agreement.

D. Direct Admission to Health Care Center. Upon admission, if it is determined by Provider that Resident is unable to live independently in the Residence, the Resident may be offered direct admission to the Health Care Center. Such Resident shall pay monthly fees equal to the current Fee for Service per diem rate (as described in The Village's current literature) in the Health Care Center (for the required level of care, Assisted Living, Skilled Care or Memory Care). Residents directly admitted to the Health Care Center shall complete the Amendment to Residence and Services Agreement for Direct Admission to Health Care and documents as required by the Provider and North Carolina licensure statutes. In the event a Resident that qualifies for direct admission into the Health Care Center has a Co-Resident that does not qualify for such direct admission, the Co-Resident shall continue to be governed by the terms of this Agreement as a single occupant of the Residence.

IV. TERMS OF OCCUPANCY

A. Rights of Resident. The Resident has the right to occupy, use, and enjoy the Residence, common areas, amenities, programs, and services of The Village during the term of this Agreement. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by the Provider other than the rights and privileges as described in this Agreement.

Occupancy (and the obligations of the Provider for care of the Resident) shall be defined as beginning when the Resident has paid the Entrance Fee in full and has paid the first month's Monthly Fee.

B. Policies and Procedures. The Resident will abide by The Village's policies and procedures and such amendments, modifications, and changes of the policies and procedures as may hereafter be adopted by the Provider.

C. Changes in the Residence, Services, or Fees. Provider has the right to change the Residence, the services offered, or the fees charged to meet requirements of, or changes to any applicable statute, law, or regulation. The Residence may not be used in any manner in violation of any zoning ordinances or other governmental law or regulation.

D. Visitors. The Resident shall be free to invite guests to the Residence for daily and overnight visits. Guest rooms may be available from time to time at a reasonable rate for overnight stays by your guests. The Village reserves the right to make rules regarding visits and guest behavior and may limit or terminate a visit at any time for reasons it deems appropriate. Two (2) weeks is the maximum continuous stay for guests unless prior approval from the Executive Director is obtained. Except for short-term guests, no person other than the Resident or a Co-Resident, if any, may reside in the Residence without prior approval of The Village.

E. Occupancy by Two Residents. In the event that two Residents occupy a Residence under the terms of this Agreement, upon the permanent transfer to the Health Care Center or the death of one Resident, or in the event of the termination of this Agreement with respect to one of the Residents, the Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Residence. Should the remaining or surviving Resident wish to move to another residence, the policies of The Village governing said residence transfer will prevail.

F. Addition of a Co-Resident or Marriage. If a Resident marries a person who is also a Resident, the two Residents may occupy the Residence of either Resident and shall surrender the Residence not to be occupied by them. Such married Residents will pay the Monthly Fee for double occupancy associated with the Residence occupied by them. In the event that a Resident shall marry a person who is not a Resident of The Village, the spouse may become a Resident if such spouse meets all the current requirements for admission to The Village, enters into a current version of the Fee for Service Residence and Services Agreement with Provider, and pays the current single person Entrance Fee for the smallest one bedroom apartment at The Village. The

Resident and spouse shall pay the Monthly Fee for double occupancy associated with the Residence occupied by them. If the Resident's spouse does not meet the requirements of The Village for admission as a resident, the Resident may terminate this Agreement in the same manner as provided in Section VI.B. hereof with respect to a voluntary termination.

G. **Loss or Damage of Property**. Provider shall not be responsible for the loss or damage of any property belonging to the Resident due to theft, mysterious disappearance, fire or any other cause. Resident shall provide any desired insurance protection covering any such personal loss. Provider shall insure all property (except personal property) within all residences and common areas belonging to The Village.

H. **Health Insurance and Assignments**. If not already enrolled, the Resident shall apply for and secure, before taking occupancy, coverage under Medicare Parts A and B and any other hospital or medical insurance benefit program which supplements Medicare or other comparable insurance accepted by Provider. The Resident shall provide Provider with evidence of such coverage or of an acceptable substitute insurance plan, and shall pay all premiums.

The Resident shall authorize, as necessary, any provider of hospital, medical, and health services to receive reimbursement under the programs designated in this Section IV.H.

If the Resident is or becomes entitled to medical care and/or reimbursement from governmental agencies or insurance policies, application shall be made for such care and benefits, and the Resident shall assign all insurance proceeds receivable to Provider to the extent necessary to reimburse Provider for all health care expenditures made by Provider on behalf of the Resident.

I. **Right of Entry**. Resident hereby authorizes employees or agents of Provider to enter the Residence for reasonable purposes, including without limitation the following: housekeeping, repairs, maintenance, inspection, fire drills, and in the event of emergency. Provider shall when feasible use reasonable efforts to enter at scheduled times or upon prior notice to Resident. Resident shall afford Provider's employees or agents access to all areas of the Residence when requested to ensure that the Residence is maintained in good repair in accordance with this Agreement and to ensure the health and safety of Resident and other Residents.

J. **Residents' Association**. Residents of The Village are encouraged to participate in the Residents' Association Committees. The organization elects representatives, officers, and other positions to engage in concerted activities set forth by the Residents' Association.

K. **Tobacco Free Campus**. The Village at Brookwood is a Tobacco Free Campus. Smoking and tobacco use is prohibited for residents, staff and visitors.

V. TRANSFERS OR CHANGES IN LEVELS OF CARE

A. **Voluntary Transfer between Independent Residences**. The Resident may transfer from one independent Residence to another. The Resident shall comply with The Village's current Resident Transfer Advantage Program for selection of such Residence. There may be a refurbishment fee (for the Residence being vacated) charged for such a transfer.

1. **Transfer of Resident to a Larger Residence**. If the Resident elects to transfer to a larger Residence, an additional Entrance Fee (according to the Entrance Fee at the original Date of Occupancy) equal to the difference between the Entrance Fee for the smaller Residence and the Entrance Fee for the larger Residence will be due to The Village. The Resident will also pay the Monthly Service Fee associated with the larger Residence.

2. **Transfer of Resident to a Smaller Residence**. The Resident may elect to transfer to a smaller Residence, and pay the current monthly service fee for that Residence. The transfer to a smaller Residence shall not result in any entrance fee refund.

B. **Transfer to the Health Care Center**. The Resident agrees that Provider shall have authority to determine that the Resident be transferred from one level of care to another level of care within The Village. Such determination shall be based on the professional opinion of the Medical Director, and shall be made after reasonable efforts to consult with the Resident or the Resident's chosen and legal representative.

C. **Transfer to Hospital or Other Facility**. If it is determined by Provider that the Resident needs care beyond that which can be provided by The Village, the Resident may be transferred to a hospital, center, or institution equipped to give such care and such care will be at the expense of the Resident. Such transfer of the Resident will be made only after consultation to the extent possible with the Resident or the Resident's chosen and legal representative.

D. **Surrender of Residence**. If a determination is made by Provider that any transfer described in Section V.B. or V.C. is likely to be permanent in nature, the Resident agrees to surrender the Residence upon such transfer. The Provider shall continue charging the monthly fees until such time that the Residence is vacated. If Provider subsequently determines that the Resident can resume occupancy in a Residence or accommodation comparable to that occupied by the Resident prior to such transfer, the Resident shall have priority to such residence as soon as it becomes available.

VI. TERMINATION AND REFUND PROVISIONS

A. **Termination by Resident Prior to Occupancy**. This Agreement may be terminated by the Resident for any reason prior to occupancy by giving written notice to Provider. In the event of such termination, the Resident shall receive a refund of the 10% Deposit paid by the Resident, less any expenses incurred by The Village and less a nonrefundable fee equal to 2% of the total amount of the Entrance Fee.

If the Resident dies before occupying the Residence, or if, on account of illness, injury, or incapacity, the Resident would be precluded from occupying the Residence under the terms of this Agreement, this Agreement is automatically canceled. The nonrefundable fee (equal to 2% of the total amount of the Entrance Fee) will not be charged, however, if such termination is because of death of a Resident, or because the Resident's physical, mental or financial condition makes the Resident ineligible for entrance to The Village.

Any such refund shall be paid by The Village within sixty (60) days following receipt of notification of such termination. Provider requires that such notification be in writing.

B. **Voluntary Termination after Occupancy**. At any time after occupancy, the Resident may terminate this Agreement by giving Provider thirty (30) days written notice of such termination. Such notice effectively releases the Residence to The Village. Any refunds of the Entrance Fee due to the Resident shall be calculated as described in Section II.A. Any refund due the Resident under this paragraph will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.

C. **Termination upon Death**. In the event of death of the Resident at any time after occupancy, this Agreement shall terminate and the refund of the Entrance Fee paid by the Resident shall be calculated as described in Section II.A. Any refund due to the Resident's estate will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.

D. **Termination by Provider**. Provider may terminate this Agreement at any time if there has been a material misrepresentation or omission made by the Resident in the Resident's Application for Admission, Personal Health History, or Confidential Financial Statement; if the Resident fails to make payment to Provider of any fees and charges due The Village within sixty (60) days of the date when due; or if the Resident does not abide by the rules and regulations adopted by Provider or breaches any of the terms and conditions of this Agreement. Any refunds of the Entrance Fee due to the Resident shall be calculated as described in Section II.A. Any refund due the Resident under this paragraph will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.

E. Condition of Residence. At termination of this Agreement, the Resident shall vacate the Residence and shall be liable to The Village for any cost incurred in restoring the Residence to good condition except for normal wear and tear. The Provider shall continue charging the monthly fees until such time that the Residence is vacated. Any refunds due the Resident upon termination may be credited against the cost of returning the Residence to its original condition.

VII. RIGHT OF RESCISSION

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by the Resident giving written notice of such rescission to The Village within thirty (30) days following the later of the execution of this Agreement or the receipt of the Disclosure Statement that meets the requirements of Section 58-64-25, et.seq. of the North Carolina General Statutes. In the event of such rescission, the Resident shall receive a refund of the Entrance Fee paid by the Resident, less 2%. The Resident shall not be required to move into The Village before the expiration of such thirty (30) day period. Any such refund shall be paid by The Village within sixty (60) days following receipt of written notice of rescission pursuant to this paragraph.

VIII. FINANCIAL ASSISTANCE

Provider declares that it is the intent of The Village to permit a Resident to continue to reside at The Village if the Resident is no longer capable of paying the prevailing fees and charges of The Village as a result of financial reversals occurring after occupancy, provided such reversals, in Provider's judgment, are not the result of willful or unreasonable dissipation of the Resident's assets. In the event of such circumstances, Provider will give careful consideration to subsidizing the fees and charges payable by the Resident so long as such subsidy can be made without impairing the ability of Provider to operate on a sound financial basis. Any determination by Provider with regard to the granting of financial assistance shall be within the sole discretion of Provider.

IX. GENERAL

A. Relationships between Residents and Staff Members. Employees of The Village are supervised solely by The Village's management staff, and not by residents. Employees and their families may not accept gratuities, bequests, or payment of any kind from residents. Any complaints about employees or requests for special assistance must be made to the appropriate supervisor or to the Executive Director or his/her designee. The Resident acknowledges and agrees that the Resident or the Resident's family will not hire The Village's employees or solicit such employees to resign their employment at The Village in order to work for the Resident or the Resident's family. The Resident also acknowledges and agrees that, unless consented to by The Village, the Resident will not hire any former Village employee until three (3) months has elapsed from the date of termination of the person's employment at The Village.

B. Assignment. The rights and privileges of the Resident under this Agreement to the Residence, common areas, and amenities, and services, and programs of The Village

are personal to the Resident and may not be transferred or assigned by the Resident or otherwise.

C. Management of The Village at Brookwood. The absolute rights of management are reserved by Provider, its Board of Directors, and its administration as delegated by said Board of Directors. The Village retains all authority regarding acceptance of Residents, adjustment of fees, financial assistance, and all other aspects of the management of The Village. Residents do not have the right to determine admission or terms of admission of any other Resident.

D. Entire Agreement. This Agreement constitutes the entire agreement between Provider and the Resident. Provider shall not be liable or bound in any manner by any statements, representations, or promises made by any person representing or assuming to represent Provider, unless such statements, representations, or promises are set forth in this Agreement.

E. Successors and Assigns. Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of The Village and the heirs, executors, administrators, and assigns of the Resident.

F. Power of Attorney, Will, Living Will, and Health Care Power of Attorney. The Resident agrees to execute a power of attorney designating some competent person as attorney-in-fact. The Resident is also encouraged to execute a will, Living Will and Health Care Power of Attorney. The Resident shall provide The Village with copies of Power of Attorney, Living Will, and Health Care Power of Attorney, as well as the location of the Will, prior to occupancy.

G. Transfer of Property. The Resident agrees not to make any gift or other transfer of property for less than adequate consideration for the purpose of evading the Resident's obligations under this Agreement or if such gift or transfer would render such Resident unable to meet such obligations.

H. Governing Law. This Agreement shall be governed by the laws of the State of North Carolina.

I. Disclosure Statement. The Resident acknowledges that a current copy of the Disclosure Statement for The Village at Brookwood has been received.

J. Third Party Injuries and Claims. Provider is not required to provide any medical, surgical, nursing or other care for the Resident when the Resident is injured as a result of the fault or negligence of a third party or parties. The Resident shall promptly notify Provider of any such injury. In the event that Provider provides such care as can be furnished by its employees and facilities, the Resident hereby assigns to Provider any compensation that the Resident may recover from such third party or parties to the extent necessary to reimburse Provider for the cost of such care furnished by Provider. The Resident or his legal representative shall have the duty to pursue diligently any and all proper claims for compensation due from a third party or parties for injury to the

Resident and to cooperate with Provider in collecting such compensation and reimbursing Provider for the cost of all such care provided the Resident.

K. Affiliations of the Provider. The Village at Brookwood is not affiliated with any religious or charitable provider other than its owner, ARMC Health Care. All financial and contractual obligations of The Village at Brookwood will be the sole responsibility of The Village; the owner will not be responsible for any of these obligations.

L. Notice Provisions. Any notices, consents, or other communications to The Village hereunder (collectively "notices") shall be in writing and addressed as follows:

Executive Director
The Village at Brookwood
1860 Brookwood Avenue
Burlington, North Carolina 27215

The address of the Resident for the purpose of giving notice is the address appearing after the signature of the Resident below.

IN WITNESS WHEREOF, The Provider has executed this Agreement and Resident has read and understands this Agreement and has executed this Agreement and the Ten Percent (10%) Deposit has been paid as of the day and year above written.

Witness	Resident
Witness	Co-Resident
	Date
	Address (Prior to Occupancy)
	City, State, Zip Code
	Telephone
	THE VILLAGE AT BROOKWOOD
	Signature (Executive Director)
	Date

EXHIBIT A

TARGET OCCUPANCY DATE: _____

FEE SCHEDULE: Entrance Fees and Monthly Fees are based on the type of Residence you occupy and the number of persons residing in the Residence. The Residence you have selected and the applicable fees are stated below:

RESIDENCE NUMBER: _____

RESIDENCE TYPE: _____

ENTRANCE FEE FOR:
( ) Resident _____

( ) Co-Resident _____

TOTAL ENTRANCE FEE: _____

CREDIT FOR FRIENDS ADVANTAGE PROGRAM (FAP) OR WAIT LIST: (_____)

CREDIT FOR PARTIAL PAYMENTS OF THE ENTRANCE FEE RECEIVED: (_____)

ENTRANCE FEE BALANCE DUE AND PAYABLE: _____

MONTHLY FEE FOR:
( ) Resident _____

( ) Co-Resident _____

TOTAL MONTHLY FEE: _____

ADDRESSES FOR REQUIRED NOTICE:

To The Village:

The Village at Brookwood
Attention: Executive Director
1860 Brookwood Avenue
Burlington, NC 27215

To You Prior to Occupancy:

Name: _____

Address: _____

City, State, Zip Code: _____

To You Following Occupancy:

Name: _____

Address: _____

City, State, Zip Code: _____

Your signature below certifies that you have read, understand and accept this Exhibit A.

Applicant: _____

Co-Applicant: _____

Date: _____

Attachment F
Reservation Agreement

RESERVATION AGREEMENT
The Village at Brookwood

The undersigned applicant(s) ("you") hereby tender(s) this Reservation Agreement ("Agreement"), together with payment of Reservation Fee (described below) to The Village at Brookwood, ("The Village") for the purpose of reserving an Independent Living Residence at The Village at Brookwood, in Burlington, North Carolina ("The Village").

The terms of this Agreement between you and The Village are as follows:

TERM

This Agreement becomes effective when signed by both you and The Village, and The Village receives your Reservation Fee. This Agreement terminates when you sign a Residence and Services Agreement with The Village, unless it is terminated earlier by you or by The Village in accordance with the terms of this Agreement.

THE RESERVED RESIDENCE

You have reserved the Independent Living Residence identified on the attached Exhibit A (the "Reserved Residence"). A site plan showing the location of the Reserved Residence together with a floor plan of the Reserved Residence are attached. This Reservation Agreement gives you first priority to enter into a Residence and Services Agreement for the Reserved Residence before the Residence is made available to other applicants for independent living residences in The Village.

The Village has made every effort to accurately describe its plans for the Reserved Residence and The Village in the informational materials and Disclosure Statement furnished to you. The Reserved Residence and The Village may vary somewhat from the information furnished to you. The Village will furnish you with a Disclosure Statement as required by North Carolina law.

FEES

The Reservation Fee and Entrance Fee for the Reserved Residence shall be payable as follows:

- The Reservation Fee shall equal ten percent (10%) of the Entrance Fee (less the One Thousand Dollar ($1,000.00) FAP fee, if applicable) as set forth in Exhibit A. It shall be paid upon execution of this Reservation Agreement and will be credited to the total Entrance Fee. The Entrance Fee for your Reserved Residence for the Refund Option selected shall not be increased above the Entrance Fee set forth on Exhibit A.

- The balance of the Entrance Fee and first month's Monthly Fee shall be due and payable at or before your Target Occupancy Date (as described on Exhibit A).

- Checks for all fees should be made payable to The Village at Brookwood.

ACCEPTANCE TO THE VILLAGE

To begin the process of obtaining residency at The Village, you must select an available Residence and submit an Application for Residency, provided by The Village, which includes a confidential personal and health history and a financial disclosure, this signed Reservation Agreement, and the Reservation Fee (which shall equal ten percent (10%) of the selected Entrance Fee option set forth on Exhibit A). All confidential documents will be kept on file at The Village. You agree to provide The Village with true and complete responses to all information requested by The Village.

Your Application for Residency will be reviewed by The Village. The Village requires an onsite health assessment to be conducted by our healthcare team within thirty (30) days of this Agreement. You shall also submit a report of a physical examination, completed on a medical form provided by The Village, by a physician of your choice and returned to The Village no more than sixty (60) days prior to occupancy. The form shall include a statement by the physician that the you are in good health and are capable of independent living (able to provide self-care in activities of daily living). You shall be responsible for the cost of such physical examinations. If your health as disclosed by such physical examination differs materially from that disclosed in your Application for Residency, The Village shall have the right to decline your admission to the Residence and may offer occupancy in the Health Care Center. If additional information is required, you or your physician will be contacted, and The Village may contact and request information from other physicians and health care providers who have provided you with treatment.

Once The Village has received the additional information from your physician, The Village will evaluate your eligibility for residency at The Village in accordance with its residency criteria. For residency at The Village, applicants must be at least sixty-two (62) years of age, in the case of Co-applicants, the Co-applicant must be at least fifty-five (55) years of age, able to live independently, and possess adequate resources to meet present and future financial obligations to The Village for the Reserved Residence selected.

Your race, color, gender, religious beliefs, sexual orientation, or national origin will not have any bearing upon whether you are accepted into The Village.

If you are approved for residency at The Village, an acceptance letter will be sent welcoming you. You agree to execute the then current version of the Residence and Services Agreement within seven (7) calendar days after The Village notifies you that you have been accepted for residency at The Village.

You agree that if you are accepted for residency by The Village and decide to sign a Residence and Services Agreement, you will commence occupancy on a mutually agreed upon date. This date shall not be more than ninety (90) calendar days after you sign the Residence and Services Agreement. The Village will use its best efforts to establish an occupancy date that is acceptable to you. The balance of the Entrance Fee and first month's Monthly Fee shall be due and payable at or before your Target Occupancy Date.

TERMINATION AND REFUNDS

This Agreement will terminate upon any of the following occurrences:

(a) you fail to pay the Reservation Fee;
(b) you die, or if your Co-applicant dies, before the Residence and Services Agreement becomes effective;
(c) you submit to The Village written notice of termination of Agreement for any reason;
(d) you are not accepted by The Village;
(e) you fail to sign a Residence and Services Agreement in accordance with the terms of this Agreement;
(f) you experience changes in your financial status prior to occupancy at The Village that causes you to fail to meet The Village's financial qualifications for admission;
(g) you experience changes in your health status that prevent you from being able to live in independent living.

The Reservation Fee, less any fees charged by The Village, will be credited to the balance of the Entrance Fee when payment of that balance is due.

If you or The Village terminate this Agreement for a reason other than your signing a Residence and Services Agreement, The Village shall have the right to reassign the Reserved Residence, and you will have no further rights to that Reserved Residence except that a surviving Co-applicant shall be given the opportunity to enter into a new Reservation Agreement for the Reserved Residence based on single occupancy or on joint occupancy with another Co-applicant before the Reserved Residence is offered to others. In case of termination of this Agreement for reasons set forth in a., b., d., f., and g. above, The Village will return all Reservation Fees, less any fees charged by The Village, to you or your legal representative. Should this Agreement be terminated for the reasons set forth in c. or e. above, in addition to any fees charged by The Village, The Village reserves the right to withhold an administrative charge of two percent (2%) of your total Entrance Fee amount, from any refunds owed to you to the extent permitted by law.

Any refund due to you will be made within sixty (60) days after the termination of this Agreement (unless this Agreement is terminated as a result of you and The Village entering into a residence and Services Agreement in which no refund is due hereunder).

MISCELLANEOUS

Your rights under this Agreement may not be transferred to any other person. When a reservation is made by Co-applicants, the word "you" shall be deemed to include both of you.

This Agreement will be governed by the laws of the State of North Carolina, and specifically by the North Carolina law governing continuing care facilities, Chapter 58, Article 64 of the General Statutes of North Carolina.

Notices shall be given in writing and shall be given to The Village or to you at the addresses set forth in Exhibit A, or at such address as The Village and you shall specify in writing to each other.

By signing this Agreement, you certify that you understand and agree to its terms.

By signing this Agreement, you acknowledge that you received a current copy of The Village Disclosure Statement dated _____, 20____.

_____ _____
Applicant's Signature Date

_____ _____
Co-Applicant's Signature Date

THE VILLAGE AT BROOKWOOD

_____ _____
Authorized Representative Date

EXHIBIT A

TARGET OCCUPANCY DATE: _____

FEE SCHEDULE: Entrance Fees and Monthly Fees are based on the type of Residence you occupy and the number of persons residing in the Residence. The Residence you have selected and the applicable fees are stated below:

RESIDENCE NUMBER: _____

RESIDENCE TYPE: _____

ENTRANCE FEE FOR:
( ) Resident _____

( ) Co-Resident _____

TOTAL ENTRANCE FEE: _____

CREDIT FOR FRIENDS ADVANTAGE PROGRAM (FAP) OR WAIT LIST: (_____)

CREDIT FOR PARTIAL PAYMENTS OF THE ENTRANCE FEE RECEIVED: (_____)

ENTRANCE FEE BALANCE DUE AND PAYABLE: _____

MONTHLY FEE FOR:
( ) Resident _____

( ) Co-Resident _____

TOTAL MONTHLY FEE: _____

REFUND OPTION SELECTED:
( ) Life Care – Standard, Declining Refund

( ) Life Care – Fifty Percent (50%) Refund

( ) Life Care – Ninety Percent (90%) Refund

( ) Fee For Service – Standard, Declining Refund

ADDRESSES FOR REQUIRED NOTICE:

To The Village:

The Village at Brookwood
Attention: Executive Director
1860 Brookwood Avenue
Burlington, NC 27215

To You Prior to Occupancy:

Name: _____

Address: _____

City, State, Zip Code: _____

To You Following Occupancy:

Name: _____

Address: _____

City, State, Zip Code: _____

Your signature below certifies that you have read, understand and accept this Exhibit A.

Applicant: _____

Co-Applicant: _____

Date: _____