



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

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

## **Annual Disclosure Statement February 26, 2021**

In accordance with Chapter 58, Article 64 of the North Carolina General Statutes of the State of North Carolina:

- **This Disclosure Statement may be delivered until revised, but not after July 26, 2022;**
- **Delivery of this Disclosure Statement to a contracting party before execution of a contract for continuing care is required;**
- **This Disclosure Statement has not been reviewed or approved by any government agency or representative to insure accuracy or completeness of the information set out. (North Carolina Statutes do not provide for such governmental approval).**

**LUTHERAN RETIREMENT MINISTRIES  
of Alamance County, North Carolina**

**TWIN LAKES COMMUNITY**

**DISCLOSURE STATEMENT**

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

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

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

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

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

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

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

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

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

## **NON-PROFIT STATUS**

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

## **LICENSURE AND CERTIFICATION**

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

## **AFFILIATIONS**

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

## **ACCREDITATION**

Twin Lakes Community is accredited by CARF, an independent accrediting commission for CCRC's. In its commitment to provide quality services to the residents, Twin Lakes Community presents itself for additional scrutiny and adherence to the strict standards of CARF.

## **FINANCIAL RATING**

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

## **ORGANIZATION AND OPERATION**

### **BOARD OF DIRECTORS**

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

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

### **BOARD MEMBER BIOGRAPHIES**

#### **Jackie S. Cole - Chair**

1257 Tula Lambert Road, Mebane, NC 27302

(919) 563-3554 Home

Vice President & Secretary of Coleco Inc.; Alamance County Extension Advisory Board; Chair, Lutheran Retirement Ministries Board; Alamance Community College Foundation Board member; Woodlawn Community Board member; Registered Instructor and Interim Program Director, North Carolina Therapeutic Riding Center; former Chair, Alamance-Burlington Board of Education; member of Alamance Lutheran Church and serving as Chair of Staff Support Committee and Meals on Wheels coordinator.

#### **Ned A. Cline**

2601 Passavant Court, Burlington, NC 27215

(336) 447-4247 Home

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

**David H. Cooper**  
120 Old Forest Creek, Chapel Hill, NC 27514

(336) 675-0824 Home

Retired Professor and Dean of Education, Elon University; member of the TLC Learning Circles Planning Committee; active in research and policy analysis on desegregation of public schools.

**Roslyn M. Crisp**  
513 Meadowood Drive, Burlington, NC 27215

(336) 524-0383 Home

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

**Susan C. Ezekiel**  
P. O. Box 387, Graham, NC 27253

(336) 532-8725 Work

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

**Anthony E. Foriest**  
2211 Quail Drive, Graham, NC 27253

(336) 227-3011 Home

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

**Jill M. Gerringer**  
3246 Van Drive, Burlington, NC 27215

(336) 264-0730 Mobile

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

**David A. Koester**  
512 Meadowood Drive, Burlington, NC 27215

(336) 524-9060 Home

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

**Janet J. LaHayne**

3015 Black Elk Court, Burlington, NC 27215

(847) 909-3095 Home

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

**Robert M. Lewis, CCIM, SIOR**

3005 South Church Street Burlington, NC 27215

(336) 214-1799 Work

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

**T. Bruce Moore**

3157 Mattie Florence Drive, Graham, NC 27253

(336) 739-1136 Home

Retired Senior Technical Advisor, Oil & Natural Gas Sector, US Environmental Protection Agency; Graduate of Texas A&M University (Chemical Engineering); Graduate of Sam Houston State University (Chemistry); served in the US Navy; past Registered Emergency Paramedic (Texas); Committee Chair since 2003, Boy Scouts of America Troop 39; Ruritan National past Club President and Zone Governor; current Chair, Board of Directors, Coble Estates Homeowners' Association; member of Macedonia Evangelical Lutheran Church since 2000, where he has served as Congregation President, Church Council, on the Executive Committee, and as Capital Fund Treasurer since 2009.

**C. Bryan Pennington**

2286 Huffman Mill Road, Burlington, NC 27215

(336) 584-8514 Home

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

**Constance R. Poovey**

1924 Woodland Avenue, Burlington, NC 27215

(336) 260-5195 Home

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

**James K. Roberson**

2017 Shirley Drive, Burlington, NC 27215

(336) 380-5665 Home

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

**Raghu Tadepalli**

1010 Mill Pointe Way, Elon, NC 27244

(781) 697-0047 Home

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

**Melanie Thomas**

1227 Geneva Albright Road, Graham, NC 27253

(336) 228-8703 Home

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

**Jerry R. Tolley, Jr.**

1708 Cappoquin Way, Burlington, NC 27215

(919) 219-3847 Home

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



**Michael “Kyle” Corum**

1216 Jamestowne Drive, Elon, NC, 27244

(336)-278-1316 Home

Partner with BRC and is the leader of the Firm’s Advisory Services practice, Appalachian State University – Bachelor of Science in Business Administration, Computer Information Systems, American Institute of Certified Public Accountants (AICPA), North Carolina Association of Certified Public Accountants (NCACPA), Association of Certified Fraud Examiners (ACFE), Triad Chapter of the ACFE, Community Associations Institute (CAI), Leadership Greensboro – 2011, Summit House – Past Board Member

**Franklin R. Rhue (Frank)**

3800 Asbury Court, Burlington, NC 27215

(336) 584-9308 Home

Married to LaVonne since 1974 with two daughters and two grandchildren. Graduated in 1968 with a BS in Applied Mathematics from NC State University. Retired (After 43 ½ years) as Consulting Member of the Technical Staff, LGS Innovations, LLC (Subsidiary of Alcatel-Lucent; previously known as AT&T and Western Electric); Currently Archivist, HESED Retreat Secretariat. Member of Macedonia Evangelical Lutheran Church where served as Church Council Secretary, as chair of the Finance and Stewardship committees; and currently serve on the Altar Guild and as a Stephen Series Leader. Worked as interviewer for Burlington’s Christmas Cheer ministry. Served several years on the TLC Board, as Secretary, on the Executive/Finance Committee, on the Planning Committee, and as chair of the Governance Committee. Served as Archivist on Eastern North Carolina Lutheran Via de Cristo Secretariat and as Rector for the Mixed 66 weekend retreat. Past Financial Director, Northern Piedmont Chapter of Thrivent Financial.

**Sherry Hunt**

6501 Thurlow Court, Stoney Creek, NC 27377

(336) 209-2190 Mobile

Board for the Women’s Resource Center of Greensboro, the Board for the Professional Women’s Network Greensboro. Volunteer for Coastal Conservation Association Piedmont Chapter and Second Harvest Foodbank. Internally to Ameriprise: Served on the Board of the Ameriprise Women’s Empowerment Network for women advisors; Mentor for members of Ameriprise Women’s Empowerment Network; Elite Growth Forum NC/VA; Quantum Leap 3 organization of top 100 Ameriprise practices.

**Elaine Fryar**

6501 Thurlow Court, Stoney Creek, NC 27377

(336) 362-4651 Mobile

Certified Public Accountant, (member NCACPA); Bachelor of Science in Textile Chemistry from NC State University and MBA from UNC-Chapel Hill;

VP NC Farm Bureau Federation, Board member of NC Farm Bureau Mutual Insurance Company; President Guilford County Farm Bureau, Guilford County Extension Advisory Board;

President Waseda Farm Flowers; member of Friedens Lutheran church and serving as Treasurer, Financial Secretary, and Church Organist.

## **MANAGEMENT**

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

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

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

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

Graduated from Appalachian State University in 1999 with a BSBA degree in Accounting. Received his CPA Certificate in 2003. He has over eighteen years' experience in accounting, which includes eight years in public practice with McGladrey & Pullen and Dixon Hughes Goodman, auditing various CCRC's, not-for-profits, manufacturing companies and auto dealerships across the US. In the nine years before he joined Twin Lakes, Conklin worked in private industry for large multi-national manufacturing companies in various finance leadership roles. Member of the American Institute of Certified Accountants, North Carolina Association of Certified Public Accountants and is a Chartered Global Management Accountant. Conklin also serves as the treasurer of his church in Gibsonville, NC, and has served on several not-for-profit boards in Gibsonville and Chapel Hill, NC.

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

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

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

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

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

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

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

A native of Alamance County, Lauren Cook graduated from Appalachian State University in 2004 with a Bachelor of Science degree in Sociology with a concentration in Gerontology. Cook received a Master of Arts degree in Gerontology with a focus in Administration from Appalachian State University in 2006 and joined the Twin Lakes Community family in 2007. Licensed in the state of North Carolina as a Nursing Home Administrator and Assisted Living Administrator, she currently serves as the Administrator for Coble Creek Healthcare and Rehabilitation. She also coordinates the CARF accreditation and risk management processes campus wide. Cook currently serves as preceptor for NC Nursing Home Administrators in Training. Previously she served on the board of American Red Cross Piedmont Carolina Chapter and chaired the Alamance County Walk to End Alzheimer's.

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

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

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

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

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

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

**Michael Cain. Wellness Director.**

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

**DISCLOSURES**

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

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

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

facility, nursing home, retirement home, home for aged, or facility subject to Chapter 58, Article 64 of the North Carolina General Statutes.

## **LOCATION AND DESCRIPTION OF PHYSICAL PROPERTY**

Twin Lakes Community is located on approximately 215 acres of land in the Town of Elon in Alamance County, North Carolina, bordering the City of Burlington, with 434 independent living homes, 36 apartments in Deacon Pointe Assisted Living, 104 nursing beds in Coble Creek Healthcare and Rehabilitation, and 32 beds in Moneta Springs Memory Care. The independent living homes consist of 248 villas, 22 one-bedroom apartments, 34 two-bedroom apartments, and 130 garden homes. We provide internet access to all of our residents with a state-of-the-art Wi-Fi system anchored by a campus-wide fiber optic cable system. In addition to providing internet access to our residents, this system is designed to support new technologies that enhance the independence and security of our residents. We are also home to an award-winning Synergy Home, in which residents can interact and experiment with devices and technologies designed to enhance independence and security for healthy aging.

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

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

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

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

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

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

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

### **ESTIMATED NUMBER OF RESIDENTS**

As of September 30, 2020, a total of 593 persons were residing in independent living homes; there were 27 residents in Deacon Pointe Assisted Living and 28 residents in Moneta Springs Memory Care. In Coble Creek Healthcare and Rehabilitation, none of the four Adult Care beds was occupied and 85 persons resided in skilled nursing.

### **RELATED PARTY TRANSACTIONS**

#### **Conflict of Interest Provisions**

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

### **ADMISIONS AND RESIDENCY**

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

#### **Admission**

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

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

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

### **Health Criteria for Admission**

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

If, between the date of the residency contract and the scheduled occupancy, an applicant's health should decline to a level that impairs the applicant's ability to live independently, Twin Lakes may exercise its right to terminate the contract, and the applicant will not be allowed to take up residency in an independent living unit. In such case, any fees paid prior to residency would be refunded to the applicant in accordance with the provisions of the contract.

### **Financial and Insurance Criteria**

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

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

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

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

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

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

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

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

Amount of Refund in Dollars	EQUALS	$\left( \frac{\text{Admission Fee X 96\%}}{912} \right)$	X	$\left( 912 \text{ MINUS } \begin{array}{l} \text{Number of Days} \\ \text{(Full or Partial) in} \\ \text{your Accrual Period} \\ \text{as determined below.} \end{array} \right)$
<i>(ref. 9.e.i in contract)</i>				

In other words, the refund amount declines ratably over a 30-month period that begins on the resident’s initial occupancy date. As defined in the residency contract, the “Initial Occupancy Date” is “the date on which you receive keys to your Living Unit or that is 120 days after the date of this contract, whichever occurs first; provided, however, that if your Living Unit is not ready for occupancy on that date, then we will provide you with a Notice of Availability specifying the Initial Occupancy Date; provided further that if you receive your keys during the 30-day rescission period, your initial occupancy date shall be deemed to be the 31<sup>st</sup> day after the date of this contract.” The amount that declines ratably is equal to 96% of the resident’s admission fee.

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



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

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

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

- a. The right to occupy the living unit shall belong to both residents jointly until the right to occupy has been terminated as to one of them in the manner provided for in the residency contract.
- b. If the right to occupy by one of the joint residents shall be terminated as provided for in the residency contract, then the remaining joint resident shall have the right to continue to occupy the living unit under the terms of the residency contract at the regular monthly occupancy charge as provided in the residency contract.

**Moves**

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

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

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

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

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

### **Inability to Pay**

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

### **Services**

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

- a. **Insurance.** We carry fire and extended coverage insurance on our buildings and liability coverage for the Retirement Community. You are responsible for the cost of property and casualty and liability insurance for your personal belongings and other personal property located at the Retirement Community. We do not carry insurance on your personal property.
- b. **Utilities.** We furnish and pay for the cost of heat and electricity, air conditioning, cable television service, internet service, water and sewer services, and trash collection. You are responsible for the cost of installation of telephone service and the monthly charges for that service.

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

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

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

### **Personal Services Available**

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

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

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

**Fees**

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

		<b><u>ADMISSION FEES*</u></b>		<b><u>MONTHLY FEES</u></b>	
		<b>STANDARD REFUND</b>	<b>50% REFUND</b>	<b>SINGLE</b>	<b>DOUBLE</b>
<b>ALDERSGATE &amp; BRANDENBURG APARTMENTS:</b>					
Heather; 1BR/1BA	600 SF	\$55,000	\$83,000	\$1634	\$2274
Laurel; 2BR/1BA	800 SF	\$65,000	\$98,000	\$1847	\$2487
<b>WITTENBERG APARTMENTS:</b>					
Edelweiss; 1BR/1BA	819 SF	\$75,000	\$113,000	\$2049	\$2689
Iris; 2BR/2BA	969 SF	\$90,000	\$135,000	\$2138	\$2778
Valerian; 2BR/2BA	1007 SF	\$90,000	\$135,000	\$2138	\$2778

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

<b>VILLAS: 2BR/2BA</b>					
Acacia	1311 SF	\$125,000	\$188,000	\$2320	\$2960
Chestnut	1311 SF	\$133,000	\$200,000	\$2320	\$2960
Aspen	1311 SF	\$139,000	\$209,000	\$2320	\$2960
Birch	1602 SF	\$165,000	\$248,000	\$2412	\$3052
Dogwood	1677 SF	\$176,000	\$264,000	\$2412	\$3052

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

<b>GARDEN HOMES: 3BR/2BA</b>					
Juniper	1750 SF	\$223,000	\$334,000	\$2581	\$3239
Evergreen	1888 SF	\$241,000	\$361,000	\$2758	\$3416
Forsythia	1960 SF	\$255,000	\$382,000	\$2758	\$3416
Gardenia	2000 SF	\$263,000	\$395,000	\$2935	\$3593
Holly	2200 SF	\$291,000	\$436,000	\$3106	\$3764

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

*\*Standard contracts have a 30-month declining refund; 50% contracts have no time limitations.*

**Deacon Pointe, Assisted Living Apartments:**

Small apartment                   \$5261 monthly  
Large apartment                   \$5597 monthly

**Coble Healthcare, Skilled Nursing Rooms:**

Semi-private \$300 a day  
Private        \$310 a day  
Market Rate \$325 a day (Non Community Members)

**Memory Care Rooms:**

Semi-private \$300 - \$310 a day  
Private        \$310 - \$320 a day

**PERIODIC CHARGES as needed:**

**Adult Day Care:** 1-2 days per week: \$71 per day   3+ days per week: \$67 per day

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

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

**OCCUPANCY CHARGES FOR PREVIOUS FIVE FISCAL YEARS**

	<b>FY 2015/ 2016</b>	<b>FY 2016/ 2017</b>	<b>FY 2017/ 2018</b>	<b>FY 2018/ 2019</b>	<b>FY 2019/ 2020</b>
<b>(MONTHLY)</b>					
<b>Heather (1BR)</b>	\$ 1388	\$ 1433	\$ 1483	\$ 1533	\$ 1590
<b>Laurel (2BR)</b>	1568	1619	1676	1733	1798
<b>(MONTHLY)</b>					
<b>Wittenberg (1BR)</b>	1739	1796	1859	1922	1994
<b>Wittenberg (2BR)</b>	1815	1874	1940	2006	2081
<b>(MONTHLY)</b>					
<b>Villa A/C</b>	1969	2033	2104	2176	2258
<b>Villa B</b>	2047	2114	2188	2262	2347
<b>Villa D</b>	2047	2114	2188	2262	2347
<b>(MONTHLY)</b>					
<b>Garden J</b>	2191	2262	2341	2421	2512
<b>Garden E/F</b>	2341	2417	2502	2587	2684
<b>Garden G</b>	2491	2572	2662	2753	2856
<b>Garden H/I</b>	2637	2723	2818	2914	3023
<b>(MONTHLY)</b>					
<b>Deacon Pointe</b>	<u>Large</u> \$4,751	<u>Large</u> \$4,905	<u>Large</u> \$5,077	<u>Large</u> \$5,250	<u>Large</u> \$5,447
<b>Assisted Living</b>	<u>Small</u> \$4,467	<u>Small</u> \$4,612	<u>Small</u> \$4,773	<u>Small</u> \$4,935	<u>Small</u> \$5,120
<i>(3 meals included)</i>					

<b>(DAILY)</b>	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>
<b>Coble Creek</b>	\$ 257	\$ 265	\$ 274	\$ 284	\$ 295
<b>Healthcare</b>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>
<b>Skilled Nursing &amp; ACH</b>	\$ 247	\$ 255	\$ 264	\$ 274	\$ 285

<b>(DAILY)</b>	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>
<b>Moneta Springs</b>	\$ 273	\$ 282	\$ 291	\$ 301	\$ 312
<b>Memory Care</b>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>
<b>Skilled Nursing</b>	\$ 263	\$ 272	\$ 281	\$ 291	\$ 302

<b>(DAILY)</b>	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>	<u>Private</u>
<b>Moneta Springs</b>	\$ 263	\$ 272	\$ 281	\$ 291	\$ 302
<b>Memory Care</b>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>	<u>Semi-pvt.</u>
<b>ACH</b>	\$ 253	\$ 262	\$ 271	\$ 281	\$ 292

All rates above are for SINGLE occupancy.

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

	<b>FY</b> <b>2015/2016</b>	<b>FY</b> <b>2016/2017</b>	<b>FY</b> <b>2017/2018</b>	<b>FY</b> <b>2018/2019</b>	<b>FY</b> <b>2019/2020</b>	<b>5 YR. AVE.</b> <b>INCREASE</b>
<b>(MONTHLY)</b>						
<b>Heather (1BR)</b>	\$50	\$45	\$50	\$50	\$57	\$50.40
<b>Laurel (2BR)</b>	\$57	\$51	\$57	\$57	\$65	\$57.40
<b>(MONTHLY)</b>						
<b>Wittenberg (1BR)</b>	\$63	\$57	\$63	\$63	\$72	\$63.60
<b>Wittenberg (2BR)</b>	\$66	\$59	\$66	\$66	\$75	\$66.40
<b>(MONTHLY)</b>						
<b>Villa A/C</b>	\$71	\$64	\$71	\$72	\$82	\$72.00
<b>Villa B</b>	\$74	\$67	\$74	\$74	\$85	\$74.80
<b>Villa D</b>	\$74	\$67	\$74	\$74	\$85	\$74.80
<b>(MONTHLY)</b>						
<b>Garden J</b>	\$79	\$71	\$79	\$80	\$91	\$80.00
<b>Garden E/F</b>	\$85	\$76	\$85	\$85	\$97	\$85.60
<b>Garden G</b>	\$90	\$81	\$90	\$91	\$103	\$91.00
<b>Garden H/I</b>	\$95	\$86	\$95	\$96	\$109	\$96.20
<b>(MONTHLY)</b>						
<b>Deacon Pointe</b>	<u>Large</u>	<u>Large</u>	<u>Large</u>	<u>Large</u>	<u>Large</u>	
<b>Assisted Living</b>	\$172	\$154	\$172	\$173	\$197	\$173.60
<i>(3 meals included)</i>	<u>Small</u>	<u>Small</u>	<u>Small</u>	<u>Small</u>	<u>Small</u>	
	\$161	\$145	\$161	\$162	\$185	\$162.80

<b>(DAILY)</b>						
<b>Coble Creek Healthcare</b>	<u>Private</u> \$9	<u>Private</u> \$8	<u>Private</u> \$9	<u>Private</u> \$10	<u>Private</u> \$11	\$9.40
<b>Skilled Nursing and ACH</b>	<u>Semi-pvt.</u> \$9	<u>Semi-pvt.</u> \$8	<u>Semi-pvt.</u> \$9	<u>Semi-pvt.</u> \$10	<u>Semi-pvt.</u> \$11	\$9.40

<b>(DAILY)</b>						
<b>Moneta Springs Memory Care</b>	<u>Private</u> \$9	<u>Private</u> \$9	<u>Private</u> \$9	<u>Private</u> \$10	<u>Private</u> \$11	\$9.60
<b>Skilled Nursing</b>	<u>Semi-pvt.</u> \$9	<u>Semi-pvt.</u> \$9	<u>Semi-pvt.</u> \$9	<u>Semi-pvt.</u> \$10	<u>Semi-pvt.</u> \$11	\$9.60

<b>(DAILY)</b>						
<b>Moneta Springs Memory Care</b>	<u>Private</u> \$9	<u>Private</u> \$9	<u>Private</u> \$9	<u>Private</u> \$10	<u>Private</u> \$11	\$9.60
<b>ACH</b>	<u>Semi-pvt.</u> \$9	<u>Semi-pvt.</u> \$9	<u>Semi-pvt.</u> \$9	<u>Semi-pvt.</u> \$10	<u>Semi-pvt.</u> \$11	\$9.60

August 26, 2020

Address Line 1  
Burlington, NC 27215

Dear Resident Name(s):

At the meeting of our Board of Directors on August 25, 2020, the Twin Lakes Community operating budget and resident fee schedules for the fiscal year October 1, 2020 through September 30, 2021 were reviewed and approved. Effective October 1, 2020, Independent Living resident monthly occupancy charges will increase by 2.75% over current rates.

The monthly occupancy charge for your residence beginning October 1, 2020, including any applicable second person charge, will be \$New Rate. A copy of the entire fee schedule is included with this letter.

The approved budget includes an average 2% wage increase for Twin Lakes Community employees. Employees also have the opportunity to earn an additional 1% wage increase based on offering excellent customer service. This budget increases the minimum wage paid to Twin Lakes Community employees with 90 days of service from \$11.00 per hour to \$11.50 per hour. Offering competitive salaries and benefits allows us to attract and keep the best employment candidates while ensuring that all our staff earn a living wage.

The Board of Directors and management remain committed to keeping annual rate increases as low as possible while balancing the need to maintain and improve our services and our facilities. The operations and costs of each department are reviewed during the budget process to insure that we are providing our services as cost effectively as possible. Twin Lakes continues to be a financial leader among North Carolina's continuing care retirement communities. Our financial strength enables us both to invest our reserves in maintaining the beauty of our grounds and facilities and to respond quickly and efficiently to emergencies, without these investments affecting your monthly occupancy charge. This strength is why, even in the current state of broader economic uncertainty, we are able to implement such a low annual increase in monthly fees.

We have scheduled two meetings to discuss the budget with you and to answer questions you may have. Both meetings will be held through online conferencing platform called Zoom. The first is scheduled for Thursday, September 3 at 10:30 p.m. The second will be held Friday, September 4 at 1:30 p.m. We look forward to seeing you at one of these Zoom meetings. Please see the Zoom links below and if you need assistance getting to the Zoom meeting please reach out Amy Webster.

If you are not able to join, a recording of the meeting will be available on the portal.

**September 3 at 10:30 am Zoom**

Meeting <https://zoom.us/j/96938397769?pwd=U2hQaHNzNFc2R0hWZVlkQWNpSmVDZz09>

Meeting ID: 969 3839 7769 Passcode: 184695

**September 4 at 1:30 pm Zoom Meeting**

<https://zoom.us/j/92116626442?pwd=OG1DOW5iTk1CQ1BEY0hLOC9xVjhNUT09>

Meeting ID: 921 1662 6442 Passcode: 932580

Sincerely,



Joy F. Isley  
Chair of the Board of Directors



Pamela S. Fox  
President / Chief Executive Officer



## RESERVES, ESCROWS, AND TRUSTS

### Reserves

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

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

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

On September 30, 2020, there was \$7,199,408 in cash and operating reserves and a reserve requirement of \$6,873,625.

2020-2021 Projected Total Operating Costs:	\$ 34,153,500
Add Payments of Long-Term Debt	875,000
MINUS Depreciation and Amortization:	<u>(7,534,000)</u>
Operating Reserve Requirement:	
Total Operating Costs for 2020-2021:	<b>\$ 27,494,500</b>
TOTAL Operating Reserve Required as of September 30, 2020 for the 2020-2021 fiscal year: (25% based on occupancy exceeding 90%)	<u>\$ 6,873,625</u>

The responsibility for maintenance of the reserves and the investing of the reserves rests with the President/CEO and the Chief Financial Officer. All investment decisions are shared with the Executive and Finance Committees of the board of directors and subsequently reported to the board of directors. As of September 30, 2020, Operating Reserve Investments were as follows:

Investment Account:	
Fixed Income Securities	\$ 2,924,616
Equity Securities	4,250,350
Accrued Interest	<u>24,442</u>
	<u>\$ 7,199,408</u>

## FINANCIAL FORECAST

The financial forecast included in this Disclosure Statement for the years ending September 30, 2021 through September 30, 2025, includes the following construction during the next five years. There will usually be differences between forecasted and actual construction because the events and circumstances frequently do not occur as expected and those differences may be material.

Description of Construction	Year	Cost
Renovations & Capital Replacement	2021	\$ 2,200,000
Site Development	2021	300,000
Fitness/Boland Center Renovation	2021	5,900,000
Skilled Nursing Facility Replacement	2021	54,500,000
Demolition (old Skilled Nursing Facility)	2021	500,000
Garden Homes ( 28 units ) & Harris Park	2021	17,389,400
Renovations & Capital Replacement	2022	2,200,000
Site Development	2022	300,000
Renovations & Capital Replacement	2023	2,200,000
Site Development	2023	300,000
Renovations & Capital Replacement	2024	2,200,000
Site Development	2024	1,427,900
Apartment Buildings - IL (Phase 1)	2024	50,000,000
Gathering Hall	2024	12,000,000
Renovations & Capital Replacement	2025	2,200,000
Site Development	2025	<u>300,000</u>
		<b>\$ 153,917,300</b>
<i>Less Costs Incurred thru 9-30-20</i>		<u>(49,438,500)</u>
		<b><u>\$ 104,478,800</u></b>

Twin Lakes has continually developed and renovated its campus throughout its 39-year history. Twin Lakes uses a master campus plan that projects construction projects up to ten years in the future. Our goal is to maintain the soundness of our facilities and the beauty of our campus, both for current residents and for prospective residents. This forecast also projects we will spend approximately \$2,200,000 each year to renovate existing structures and replace existing equipment. This five-year forecast also includes the replacement of the current 104-bed skilled nursing facility and renovations to the Boland Community Building and Fitness Center. It further includes the construction of a 48 unit Independent Living Apartment building as well as a Community building and Memorial Garden Chapel. This forecast also includes multi-purpose space for meetings and programs sized to accommodate 350 people, together with an adjacent office wing and new nursing clinic for residents in The Lakes Independent Living. The preliminary cost estimates are \$50 million for the 48 unit Independent Living Apartment building and \$12 million multi-purpose building, to be financed through the issuance of tax-exempt bonds.

## **FINANCIAL DATA**

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

**Certified Financial Statements:** Copies of the certified financial statements for the year ending September 30, 2020 are included as Attachment 1.

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

**Forecasted versus Actual:** Included as Attachment 3 is a comparison of ACTUAL Balance Sheet, Statement of Operations, and Statement of Cash Flows for 2019-2020 versus the PROJECTED Balance Sheet, Statement of Operations, and Statement of Cash Flows included in last year's disclosure statement.

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

### **Interim Financial Statements**

A copy of the LRM Interim Financial Statements as of December 31, 2020 is included as Attachment 5.

**LUTHERAN RETIREMENT MINISTRIES  
OF ALAMANCE COUNTY, NORTH CAROLINA  
d/b/a  
TWIN LAKES COMMUNITY  
DISCLOSURE STATEMENT  
ATTACHMENT 1  
CURRENT CERTIFIED FINANCIAL STATEMENT**

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

2020 Audited Financial Statements

For The Years Ended September 30, 2020 and 2019

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## INDEPENDENT AUDITORS' REPORT

January 21, 2021

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

We have audited the accompanying financial statements of Lutheran Retirement Ministries of Alamance County, North Carolina (a nonprofit organization) which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of operations, changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

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

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

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lutheran Retirement Ministries of Alamance County, North Carolina as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States.

*Dillion Bell Moore LLP*

Certified Public Accountants  
Burlington, North Carolina  
January 21, 2021



**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**STATEMENTS OF FINANCIAL POSITION**  
September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 20,279,284	\$ 14,429,911
Investments	6,677,816	6,806,182
Accounts receivable - net	1,587,999	1,157,340
Prepaid expenses	42,174	14,700
Inventory	<u>349,265</u>	<u>265,088</u>
 Total current assets	 <u>28,936,538</u>	 <u>22,673,221</u>
 Assets whose use is limited:		
Cash and cash equivalents	22,911,502	1,225,610
Cash held for state operating reserve	4,092	-
Investments	2,802,318	2,631,747
Investments held for state operating reserve	7,174,966	6,756,230
Interest receivable restricted for operating reserve	<u>24,442</u>	<u>-</u>
 Total assets whose use are limited	 <u>32,917,320</u>	 <u>10,613,587</u>
 Other assets:		
Long-term investments	481,689	388,760
Property and equipment - net	<u>123,663,194</u>	<u>91,127,340</u>
 Total other assets	 <u>124,144,883</u>	 <u>91,516,100</u>
 Total assets	 <u>\$ 185,998,741</u>	 <u>\$ 124,802,908</u>

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

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**STATEMENTS OF FINANCIAL POSITION**  
September 30, 2020 and 2019

	2020	2019
Current liabilities:		
Current maturities of long-term debt	\$ 875,000	\$ 620,130
Accounts payable	1,811,512	782,197
Construction contracts payable	551,848	2,474,755
Accrued expenses	2,599,510	2,367,888
Deferred revenue	3,867,315	3,318,594
Deposits on unoccupied units	329,599	1,157,133
Deferred revenue from HHS Provider Relief	708,200	-
SBA Paycheck Protection Program loan	2,932,300	-
Reserve on derivative contract	-	248,033
	13,675,284	10,968,730
Long-term debt, excluding current maturities	62,977,496	15,986,805
Deferred revenue	37,769,221	31,344,828
Refundable admission fees	19,354,060	16,566,510
Reserve on derivative contract	1,811,365	616,132
	135,587,426	75,483,005
Net assets:		
Without donor restrictions:		
Designated by board	15,733,758	15,349,021
Undesignated	30,726,416	30,278,119
	46,460,174	45,627,140
With donor restrictions:		
Purpose restriction	1,074,739	929,947
Perpetual in nature	2,876,402	2,762,816
	50,411,315	49,319,903
Total liabilities and net assets	\$ 185,998,741	\$ 124,802,908

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

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

For the Years Ended September 30, 2020 and 2019

	2020	2019
Revenues, gains and other support:		
Admission fees earned	\$ 4,309,745	\$ 4,419,071
Ancillary services	1,308,381	1,536,092
Assisted living	2,034,458	2,073,610
Dietary	300,910	411,861
Home care and adult day care	566,639	753,669
Independent living facilities	12,024,560	11,159,638
Memory care	3,292,078	3,337,945
Nursing care	10,168,441	9,663,472
Other operating revenues from residents	208,149	334,615
Gain (loss) on disposal of property and equipment	6,857	(457,096)
Investment return - net	285,298	521,334
Donations and grants without donor restrictions	236,504	160,193
	34,742,020	33,914,404
Less:		
Medicare and Medicaid contractual adjustments	1,884,656	2,165,839
Charitable and other contractual allowances	561,665	431,661
Bad debts	37,895	108,630
Total revenues, gains and other support	32,257,804	31,208,274
Operating expenses:		
Activities and social services	320,560	320,343
Ancillary services	840,846	963,433
Assisted living	1,123,409	1,013,172
Home care and adult day care	674,080	774,277
Independent living	1,701,971	1,676,409
Memory care	2,235,021	2,157,165
Nursing services	5,505,009	4,864,385
Support services	7,560,357	7,570,261
Administrative and general	3,455,549	3,285,923
Depreciation	6,743,936	6,575,588
Interest and related fees	332,164	777,538
Total operating expenses	30,492,902	29,978,494
Operating income	\$ 1,764,902	\$ 1,229,780

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

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
For the Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Change in net assets without donor restrictions:		
Operating income	\$ 1,764,902	\$ 1,229,780
Interfund transfers	38,478	42,210
Net unrealized gain on investments	121,646	306,028
Change in value on derivative contract	(947,200)	(264,063)
Net assets transferred to restrictions	<u>(144,792)</u>	<u>(66,436)</u>
 Increase in net assets without donor restrictions	 <u>833,034</u>	 <u>1,247,519</u>
 Change in net assets with donor restrictions:		
Net assets transferred from those without restrictions	144,792	66,436
Investment return - net	31,748	88,874
Endowment donations	3,393	52,331
Interfund transfers	(38,478)	(42,210)
Net unrealized gain (loss) on investments	<u>116,923</u>	<u>(6,058)</u>
 Increase in net assets with donor restrictions	 <u>258,378</u>	 <u>159,373</u>
 Increase in net assets	 \$ 1,091,412	 \$ 1,406,892
 Net assets - beginning of year	 <u>49,319,903</u>	 <u>47,913,011</u>
 Net assets - end of year	 <u>\$ 50,411,315</u>	 <u>\$ 49,319,903</u>

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

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**STATEMENTS OF FUNCTIONAL EXPENSES**

For the Years Ended September 30, 2020 and 2019

	Program Services	Fundraising	Management and General	2020	Program Services	Fundraising	Management and General	2019
Advertising	\$ -	\$ -	\$ 49,335	\$ 49,335	\$ -	\$ -	\$ 50,336	\$ 50,336
Contracted services	25,268	-	-	25,268	30,629	-	-	30,629
Contributions	85,500	19,006	-	104,506	66,865	34,305	-	101,170
Depreciation	6,444,076	-	299,860	6,743,936	6,444,076	-	131,512	6,575,588
Employee benefits	2,869,294	10,275	270,458	3,150,027	2,651,089	8,192	245,557	2,904,838
Food purchases	879,366	-	-	879,366	962,967	-	-	962,967
Insurance	535,897	-	84,270	620,167	535,897	-	10,937	546,834
Interest and related fees	325,521	-	6,643	332,164	761,987	-	15,551	777,538
Other expenses	-	21,076	-	21,076	-	31,203	-	31,203
Outside consultants	770,968	-	71,317	842,285	884,271	-	45,858	930,129
Legend drugs	66,305	-	-	66,305	75,234	-	-	75,234
Professional fees	-	-	118,168	118,168	-	-	211,558	211,558
Salaries and wages	11,613,954	47,136	1,400,833	13,061,923	10,852,029	35,045	1,304,529	12,191,603
Supplies and other expenses	2,507,870	-	669,106	3,176,976	2,412,985	-	664,358	3,077,343
Utilities	1,275,372	-	26,028	1,301,400	1,481,294	-	30,230	1,511,524
	<u>\$ 27,399,391</u>	<u>\$ 97,493</u>	<u>\$ 2,996,018</u>	<u>\$ 30,492,902</u>	<u>\$ 27,159,323</u>	<u>\$ 108,745</u>	<u>\$ 2,710,426</u>	<u>\$ 29,978,494</u>

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

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**STATEMENTS OF CASH FLOWS**

For the Years Ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Cash received from residents and third party payers	\$ 38,154,123	\$ 33,130,817
Investment income received	559,242	521,990
Donations - net	187,998	115,023
Cash paid to suppliers and employees	(22,204,709)	(21,862,622)
Interest paid and related fees	(357,165)	(801,362)
Net cash provided by operating activities	16,339,489	11,103,846
Cash flows from investing activities:		
Acquisition of property and equipment	(41,202,761)	(12,598,827)
Proceeds from sale of property and equipment	6,921	26,392
Proceeds from sale of investments	7,592,999	7,662,330
Purchases of investments	(8,149,937)	(7,987,761)
Net cash used in investing activities	(41,752,778)	(12,897,866)
Cash flows from financing activities:		
Refundable admission fees received	4,273,950	1,189,460
Admission fees refunded	(1,486,400)	(594,225)
Proceeds from Memorial Garden fees	5,000	10,000
Endowment donations	3,393	52,331
Debt proceeds	49,026,217	-
Proceeds from SBA Paycheck Protection Program loan	2,932,300	-
Payments on bond closing costs	(946,814)	-
Principal payments on long-term debt	(855,000)	(2,355,000)
Net cash provided by (used in) financing activities	52,952,646	(1,697,434)
Net increase (decrease) in cash	27,539,357	(3,491,454)
Cash and cash equivalents - beginning of year	15,655,521	19,146,975
Cash and cash equivalents - end of year	\$ 43,194,878	\$ 15,655,521

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

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**STATEMENTS OF CASH FLOWS**

For the Years Ended September 30, 2020 and 2019

	2020	2019
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ 1,091,412	\$ 1,406,892
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Endowment donations	(3,393)	(52,331)
Change in value on derivative contract	947,200	264,063
Memorial Garden earnings	(7,000)	(8,250)
(Gain) loss on disposal of property and equipment	(6,857)	457,096
Amortization of deferred revenues from admission fees	(4,309,745)	(4,419,071)
Receipt of non-refundable admission fees	10,794,889	7,023,875
Refunds on non-refundable contracts	(337,564)	(93,268)
Proceeds from HHS Provider Relief	708,200	-
Depreciation	6,743,936	6,575,588
Amortization of debt issuance costs	21,158	11,825
Net (increase) decrease in receivables and inventory	(539,278)	59,636
Net (increase) in prepaid expenses	(27,474)	(14,700)
Net increase in accounts payable and accrued expenses	1,260,937	320,681
Net unrealized gain investments	(238,569)	(299,970)
Net realized loss (gain) on investments	241,637	(128,220)
Net cash provided by operating activities	\$ 16,339,489	\$ 11,103,846

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

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2020 and 2019

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

**Nature of organization** - Lutheran Retirement Ministries of Alamance County, North Carolina, doing business as Twin Lakes Community (Organization), provides a continuing care retirement community licensed by the State of North Carolina. The Organization consists of 104 nursing care beds, 36 assisted living units, 434 apartments, villas, and garden homes, and 32 memory care beds of which 16 are designated for skilled care and 16 for assisted living.

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

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

**Cash and cash equivalents** - Cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of three months or less. The Organization maintains its cash balances in board-designated banks located in North Carolina. There is credit risk exposure for certain cash balances that exceed federally insured limits of \$250,000. The amounts in excess of the FDIC limit totaled \$41,937,478 and \$14,397,434 at September 30, 2020 and 2019, respectively.

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

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

**Accounts receivable - net** - Accounts receivable are stated net of an allowance for doubtful accounts. This allowance is based on management's estimate of the amount of current receivables, which will prove to be uncollectible. To help mitigate risk associated with trade receivables, management evaluates each customer's risk prior to extending credit. Management does not believe significant credit risk exists at September 30, 2020 and 2019.

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



**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2020 and 2019

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

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

During the year ended September 30, 2020, the Organization included \$1,559,628 of interest incurred during the construction of the new health care facility, in the cost of this project which was classified as construction in process at September 30, 2020. This interest was incurred on the bond debt used to finance this project.

Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

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

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

**Debt issuance costs** - Costs associated with obtaining long-term debt are amortized over the debt period. The costs related to the Series 2019A and 2019B bonds have been amortized on the effective interest method for the year ending September 30, 2020.

**HHS Provider Relief** - The Health Resources and Services Administration distributed payments to eligible recipients under the Provider Relief Fund, funded through appropriations in the Coronavirus Aid, Relief, and Economic Security Act. Revenue is recognized as funds are used as provided in the terms and conditions of the agreement.

**Admission fees** - Payment of an admission fee is required before a resident acquires the right to reside in an independent living unit. The Organization offers two different types for all independent living contracts. One contract type provides for an admission fee of which 50% is fully refundable and 50% is refundable on a declining pro rata basis during the first 30 months of occupancy. The other contract type provides for the entire admission fee to be refundable on a declining pro rata basis during the first 30 months of occupancy. After this 30 month period, no portion of the admission fee is refundable.

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

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2020 and 2019

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

**Admission fees** –(continued)

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

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

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

**Advertising costs** - The Organization expenses advertising costs as incurred. Total advertising costs for the years ended September 30, 2020 and 2019 were \$49,335 and \$50,336, respectively.

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

**Obligation to provide future services** - The Organization annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from admission fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from admission fees, a liability is recorded (obligation to provide future services and use of facilities) against the corresponding charge to income. As of September 30, 2020 and 2019, this computation did not require a liability to be recorded.

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

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

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

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2020 and 2019

**Note 2: Available Resources and Liquidity**

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

	2020	2019
Cash and cash equivalents	\$ 20,279,284	\$ 14,429,911
Investments	6,677,816	6,806,182
Accounts receivable -net	1,587,999	1,157,340
Financial assets available	\$ 28,545,099	\$ 22,393,433
Less board restrictions	8,530,258	8,592,791
	\$ 20,014,841	\$ 13,800,642

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

**Note 3: Cash and Cash Equivalents**

Cash and cash equivalents are summarized as follows:

	2020	2019
Board Designated:		
Medical self-insurance	\$ 737,127	\$ 934,518
Capital reserve	941,082	962,228
Debt service	65,121	94,267
Undesignated	18,535,954	12,438,898
Assets Whose Use is Limited:		
New healthcare facility fund	21,590,907	-
Chapel fund	875	1,064
Donations	576,237	403,604
Memorial Garden fund	169,120	163,375
Resident assistance – endowment	12,616	31,964
Resident assistance – operating	498,502	526,343
Resident trust funds	2,649	1,216
State mandated reserve	4,092	-
Sullivan Trust	60,596	98,044
	\$ 43,194,878	\$ 15,655,521

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2020 and 2019

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

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

	<u>2020</u>	<u>2019</u>
Operating Fund:		
State mandated reserve	\$ 7,203,500	\$ 6,756,230
New healthcare facility fund	21,590,907	-
Resident trust funds	2,649	1,219
Donations	576,237	403,604
Memorial Garden fund	169,120	163,375
Resident assistance	498,502	526,343
Endowment Fund:		
Sullivan Trust	2,228,081	2,147,109
Resident assistance	605,758	575,675
Chapel fund	<u>42,566</u>	<u>40,032</u>
	<u>\$ 32,917,320</u>	<u>\$ 10,613,587</u>

**Note 5: Property and Equipment**

Property and equipment are summarized as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 8,694,791	\$ 8,694,791
Land improvements	15,686,069	15,654,530
Buildings	117,717,048	115,888,899
Paving	1,131,764	1,131,764
Furniture and equipment	11,076,154	10,882,329
Construction in progress	<u>49,438,511</u>	<u>12,293,460</u>
	203,744,337	164,545,773
Less accumulated depreciation	<u>80,081,143</u>	<u>73,418,433</u>
Property and equipment - net	<u>\$ 123,663,194</u>	<u>\$ 91,127,340</u>

**Note 6: Accounts Receivable**

Accounts receivable are summarized as follows:

	<u>2020</u>	<u>2019</u>
Resident services	\$ 1,793,306	\$ 1,436,163
Sales tax	253,869	95,349
Other	25,000	-
Interest receivable	<u>22,324</u>	<u>31,528</u>
	2,094,499	1,563,040
Less allowance for doubtful accounts	<u>506,500</u>	<u>405,700</u>
Accounts receivable - net	<u>\$ 1,587,999</u>	<u>\$ 1,157,340</u>

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2020 and 2019

**Note 7: Investments and Fair Value**

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

Investments are categorized as follows:

	2020	2019
Undesignated	\$ 32,414	\$ 311,625
Board Designated:		
Debt service	3,798,040	3,713,628
Capital reserve	2,847,362	2,780,929
Education endowment	217,719	203,566
Deferred compensation	263,970	185,194
Assets Whose Use is Limited:		
State mandated reserve	7,174,966	6,756,230
Resident assistance	593,142	543,714
Sullivan Trust	2,167,485	2,049,065
Chapel	41,691	38,968
	\$ 17,136,789	\$ 16,582,919

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

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

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2020 and 2019

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

Fair value measurements at September 30, 2020:

	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Assets:				
Equity securities	\$ 7,737,908	\$ 7,737,908	\$ -	\$ -
Fixed income securities	9,282,573	9,282,573	-	-
Closely held company securities	<u>116,308</u>	<u>-</u>	<u>116,308</u>	<u>-</u>
Total assets	<u>\$ 17,136,789</u>	<u>\$ 17,020,481</u>	<u>\$ 116,308</u>	<u>\$ -</u>
Liabilities:				
Interest rate swaps	<u>\$ 1,811,365</u>	<u>\$ -</u>	<u>\$ 1,811,365</u>	<u>\$ -</u>

Fair value measurements at September 30, 2019:

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

The Organization incurred investment fees in the amount of \$90,166 and \$102,167 during the years ended September 30, 2020 and 2019, respectively.

**Note 8: Reconciliation of Endowment Funds**

Changes in endowment net assets, for the years ended September 30, 2020 and 2019, are as follows:

	<u>2020</u>	<u>Board Designated</u>	<u>With Donor Restriction</u>
Endowment net assets – beginning of year	\$ 2,971,938	\$ 209,122	\$ 2,762,816
Donations	3,393	-	3,393
Interest and dividends	80,171	5,677	74,494
Fees	(25,001)	(2,111)	(22,890)
Net realized and unrealized gains and losses	106,711	9,644	97,067
Appropriation of endowment assets for expenditures	<u>(38,478)</u>	<u>-</u>	<u>(38,478)</u>
Endowment net assets – end of year	<u>\$ 3,098,734</u>	<u>\$ 222,332</u>	<u>\$ 2,876,402</u>

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2020 and 2019

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

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

**Note 9: Deferred Gifts**

The Organization has been designated as the beneficiary of a number of life insurance policies, gift annuities and charitable remainder trusts. As of September 30, 2020 and 2019 the gross amount of gifts made were approximately \$1,483,683; the estimated present value of the gifts are approximately \$730,779 and \$744,000, respectively. In most cases, donors have the ability to stipulate terms of the giving, thus adding an element of uncertainty regarding present value and beneficiary status. It is management's opinion that these deferred gifts are conditional, and they have not been recorded in the financial statements.

**Note 10: Interfund Payable**

At September 30, 2020 and 2019 the Organization had an interfund payable due to the Operating Fund from the Endowment Fund in the amount of \$32,414 and \$36,146, respectively.

**Note 11: Accrued Expenses**

Accrued expenses consist of the following:

	<u>2020</u>	<u>2019</u>
Salaries and wages	\$ 672,380	\$ 584,342
Paid annual leave	1,089,920	1,015,506
Profit sharing contribution	367,244	381,930
Deferred compensation	318,970	235,194
Payroll taxes	996	916
Self-insurance claims	<u>150,000</u>	<u>150,000</u>
	<u>\$ 2,599,510</u>	<u>\$ 2,367,888</u>

**Note 12: Paid Annual Leave**

The Organization's employees are allowed to accumulate paid annual leave up to a maximum 60 days as of September 30 each year. Paid annual leave is payable when the leave is taken or upon the favorable termination of the employee. A limited provision was available for the annual buy-back of unused paid annual leave in excess of the accrual limits. The Organization recorded a liability of \$1,089,920 and \$1,015,506 for accrued paid annual leave at September 30, 2020 and 2019, respectively.

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2020 and 2019

**Note 13: Deferred Revenue**

Deferred revenue at September 30, 2020 and 2019 consists of the following:

	2020	2019
Admission fees	\$ 41,514,286	\$ 34,539,172
Memorial gardens	122,250	124,250
	\$ 41,636,536	\$ 34,663,422

**Note 14: Long-Term Debt**

Long-term debt consists of the following:

During the year ended September 30, 2010, the Organization, through the North Carolina Medical Care Commission issued \$29,630,000 of 2009 bank qualified bonds. The principal is due in annual installments from January 1, 2014 through January 1, 2037. The interest is payable monthly at a variable rate of 68% of one-month LIBOR plus a credit spread of 1.2125%. The interest rate is managed through a swap agreement disclosed in Note 15. The debt is secured by property and equipment. This obligation was satisfied in October 2019 with funds provided by 2019B bonds described below.

	2020	2019
	\$ -	\$ 16,700,000

The Organization issued \$42,860,000 of Series 2019A Public Fixed Rate Bonds and received a premium of \$6,361,157. Interest is fixed at 5.0% (effective rate of 4.49% after considering amortization of the bond premium and debt issuance costs) and payments are due monthly to the Interest Account. Beginning January 2034 monthly payments are due to the Sinking Fund Account for amounts required to retire the Term Bonds.

	48,955,275	-
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Series 2019B Bank Placement Bonds in the amount of \$23,025,000 is available of which \$16,700,000 has been funded to satisfy the former bank qualified bonds above. Remaining funds are expected to be advanced as capital projects payments are required. Interest is payable monthly on a variable rate equal to 79% of One-Month LIBOR plus 0.77%. Annual principal payments are scheduled through a maturity date of 2034.

	15,937,100	-
	64,892,375	16,700,000
Less current maturities of long-term debt	875,000	620,130
Less unamortized debt issuance costs	1,039,879	93,065
	\$ 62,977,496	\$ 15,986,805



**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2020 and 2019

**Note 14: Long-Term Debt (continued)**

Scheduled principal maturities of long-term debt at September 30, 2020 are as follows:

2021		\$ 875,000
2022		1,335,000
2023		1,385,000
2024		1,435,000
2025		1,490,000
Thereafter		<u>58,372,375</u>
		<u>\$ 64,892,375</u>

The Organization has various financial covenants relating to the aforementioned debt. As of September 30, 2020, all financial covenants were met.

**Note 15: Reserve on Derivative Contracts**

The Organization has three interest rate swap agreements, measured at fair value in Note 7, in order to minimize its exposure to the impact of interest rate changes on its long-term debt. This enables the Organization to maintain a synthetic fixed rate on a significant portion of its overall long-term debt. This type of hedging activity has been recorded as a cash flow hedge with the change in value on the derivative contracts recorded in the Statements of Changes in Net Assets. The swap agreements are structured as follows:

Notional Amount	Effective Date	Maturity Date	Pay Rate	Receive Rate
\$7,660,000	10/10/2007	1/1/2028	3.556%	63% of one-month LIBOR plus 0.3%
8,250,000	10/9/2019	1/1/2034	1.232%	79% of one-month LIBOR
6,225,000	6/1/2021	1/1/2034	1.203%	79% of one-month LIBOR

The notional amounts amortize steadily to maturity.

**Note 16: SBA Payroll Protection Program Loan**

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was passed into law. One of the provisions of this law is the Paycheck Protection Program ("PPP"), which provides loans from the Small Business Administration ("SBA") for Organization payroll and other, qualifying business expenses. If certain requirements are met, these loans can be forgiven.

In April 2020, the Organization received an SBA PPP loan totaling \$2,932,300 with an interest rate of 1% and a scheduled maturity of April 2022. Management expects the total loan amount to be forgiven considering the proceeds are being used for qualifying expenses and payroll has not been reduced. Management has elected to record the loan as debt despite the use of proceeds for qualifying expenses and expected forgiveness. Therefore, the PPP loan will not be recorded as income until the Organization is released from repayment and the loan is legally forgiven.

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2020 and 2019

**Note 17: Assets Whose Use is Limited for State Mandated Reserve**

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

The operating reserve requirement of the Organization as of September 30, 2020 was \$7,203,500 based on current occupancy, which exceeds 90%, and projected 2020-2021 operating costs of \$28,814,000. The operating reserve balance at September 30, 2020 was \$7,203,500.

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

**Note 18: Net Assets with Donor Restrictions**

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

Sullivan Trust - During the year ended September 30, 1988, Lutheran Retirement Ministries of Alamance County, North Carolina received a bequest from the estates of James and Beulah Sullivan. The will of James Sullivan requires that the bequest be held in trust for the benefit of the Organization with the income generated by the trust to be delivered to the Organization at least annually. The fair value of these net assets total \$2,228,081 and \$2,147,109 at September 30, 2020 and 2019, respectively.

Chapel Fund - Contributions have been made to the Chapel Endowment Fund, for the benefit of chapel maintenance. The assets of the fund are held in perpetuity. The fair value at years ended September 30, 2020 and 2019, are \$42,566 and \$40,032, respectively.

Residents Assistance Fund - Contributions have been made to the Resident Assistance Fund, for the benefit of the Organizations residents. The assets of the fund are held in perpetuity. The fair value at years ended September 30, 2020 and 2019, are \$605,758 and \$575,675, respectively.

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

	2020	2019
Resident assistance – operating	\$ 498,502	\$ 526,343
Donations	576,237	403,604
Net assets restricted by donor for purpose	\$ 1,074,739	\$ 929,947

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2020 and 2019

**Note 19: Net Assets Designated by Board**

The following is a summary of board designated net assets:

	2020	2019
Operating Fund:		
Self-insurance	\$ 587,127	\$ 784,518
Capital reserve	3,798,070	3,743,158
Debt service	3,875,859	3,816,868
Memorial Garden	46,870	39,125
State mandated reserve	7,203,500	6,756,230
Endowment Fund:		
Education endowment	222,332	209,122
Board designated net assets	\$ 15,733,758	\$ 15,349,021

**Note 20: Retirement Plan**

The Organization maintains a defined contribution retirement plan covering substantially all of its full time employees. Effective October 1, 2013, the Organization adopted Safe Harbor provisions, requiring a three percent annual employer contribution, with additional employer contributions allowed, as approved by the Board of Directors. Prior to October 1, 2013, the board of directors of the Organization determined annually the amount, if any, of the annual employer contribution to the plan. The board of directors elected to make contributions of four percent of eligible compensation which totaled \$367,244 and \$381,930 for the years ending September 30, 2020 and 2019, respectively.

During the year ended September 30, 2015 the Board of Directors of the Organization established a supplemental benefit deferred compensation plan under IRS Code Section 457(f). Under the terms of the plan the Board may decide each year to make discretionary contributions for the benefit of select employees. The approved benefits are payable on a specified distribution date selected by the Board of Directors. Benefits under the plan generally vest on the specified distribution date to employees still employed on that date. The Board of Directors approved contributions to the Plan for the years ended September 30, 2020 and 2019 of \$55,000 and \$50,000, respectively. The amount funded totaled \$50,000 and \$45,000 during the years ended September 30, 2020 and 2019.

**Note 21: Self-Funded Medical Insurance Plan**

The Organization maintains an employee benefits plan to provide substantially all employees with medical benefits. The plan obtains insurance from commercial carriers to cover any payments required by the plan in excess of \$90,000 per individual per plan year, no change from 2019.

**Note 22: Risk Management**

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

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

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2020 and 2019

**Note 22: Risk Management (continued)**

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

**Note 23: Contingencies**

The contracts between the Organization and the residents provides for a refund of a portion of the resident's admission fee if the resident leaves during the first thirty months of occupancy. In addition, the contracts between the Organization and the garden home residents provide that 50% of the admission fee will be refundable. The contracts provide for the refund to be payable when the dwelling unit is re-leased to another resident. Until November 7, 2019, the 50% refundable contracts provide for the refund to be payable when the resident is no longer a resident of the Organization.

The total amount of contractual refund obligations was \$30,349,032 and \$23,283,789 at September 30, 2020 and 2019, respectively. Of the total amount, \$19,354,060 and \$16,566,510 are for the 50% refundable admission fees at September 30, 2020 and 2019, respectively.

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

**Note 24: Operating Leases**

The Organization has leases for equipment, which are classified as operating leases. Rent expense for the operating leases was \$56,038 and \$56,655 for the years ended September 30, 2020 and 2019, respectively.

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

2021	\$	36,709
2022	\$	36,709
2023	\$	36,709
2024	\$	36,709
2025	\$	15,296

**Note 25: Concentrations of Credit Risk**

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

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2020 and 2019

**Note 26: Tax Status**

Lutheran Retirement Ministries of Alamance County, North Carolina is exempt from Federal and North Carolina Income Taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has determined that it does not have any material unrecognized tax benefits or obligations and believes they are no longer subject to income tax examinations for years prior to September 30, 2017.

**Note 27: Construction Commitments**

Commitment: The Organization has commitments for construction projects in connection with building and improvement additions, including the construction of a new nursing facility. The cost to complete the projects at September 30, 2020 was \$29,868,502.

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

**Note 28: Resident Fee Income**

Net resident fee income consists of the following:

	2020	2019
Residency fees at normal billing rates:		
Admission fees earned	\$ 4,309,745	\$ 4,419,071
Ancillary service	1,308,381	1,536,092
Assisted living	2,034,458	2,073,610
Dietary sales to residents	170,628	202,640
Home care and adult day care	566,639	753,669
Independent living	12,024,560	11,159,638
Memory care	3,292,078	3,337,945
Nursing care	10,168,441	9,663,472
Other operating revenues from residents	208,149	334,615
	34,083,079	33,480,752
Adjustments:		
Medicare and Medicaid contractual adjustments	1,884,656	2,165,839
Charitable and other contractual adjustments	561,665	431,661
Bad debts	37,895	108,630
Net resident fee income	\$ 31,598,863	\$ 30,774,622

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2020 and 2019

**Note 29: Charity Care and Community Benefit**

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

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

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

	2020	2019
Charity care:		
Unreimbursed costs under Medicaid	\$ 1,619,486	\$ 1,756,501
Forgiven monthly and daily fees	417,304	383,156
Bad debt	41,187	44,865
Total charity care	2,077,977	2,184,522
Community benefit:		
Expenses incurred by the Organization to provide health, recreation, community research, and education activities to the community at large	33,554	176,103
Charitable donations	118,190	109,145
Donated volunteer services and space to community service projects and organizations	47,161	70,346
Total community benefit	198,905	355,594
Total charity care and community benefit	\$ 2,276,882	\$ 2,540,116

**Note 30: Functional Expenses**

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

**Note 31: Reclassification**

Certain 2019 items in the cash flow statements have been reclassified to conform to current year presentation. These reclassifications had no effect on the statements of financial position, statements of operations, statements of changes in net assets, or net asset balances at year-end.

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2020 and 2019

**Note 32: Subsequent Events**

The Organization has evaluated events and transactions that occurred between September 30, 2020 and January 21, 2021, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. Negative financial impact could occur through such potential impact is unknown at this time.

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

**d/b/a**

**TWIN LAKES COMMUNITY**

**DISCLOSURE STATEMENT**

**ATTACHMENT 2**

**FIVE YEAR PROJECTION STATEMENT**



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

FINANCIAL FORECASTS

For The Years Ending September 30, 2021  
Through September 30, 2025

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

## ACCOUNTANTS' COMPILATION REPORT

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

We have compiled the accompanying forecasted statements of financial position, statements of operations, statements of cash flows, and summary of significant forecast assumptions and accounting policies of Lutheran Retirement Ministries of Alamance County, North Carolina as of September 30, 2021 through September 30, 2025 and for the years then ending, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

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

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

*Gilliam Bell Moser LLP*

Certified Public Accountants  
February 23, 2021



**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**FORECASTED STATEMENTS OF FINANCIAL POSITION**  
September 30, 2021 Through September 30, 2025

	2021	2022	2023	2024	2025
<b>CURRENT ASSETS:</b>					
CASH AND CASH EQUIVALENTS	\$ 15,981,050	\$ 79,779,350	\$ 82,480,650	\$ 22,334,350	\$ 22,283,450
INVESTMENTS	7,011,700	7,362,300	7,730,400	8,116,900	8,522,700
ACCOUNTS RECEIVABLE (NET)	1,677,300	1,774,700	1,857,900	1,972,100	2,070,900
ACCRUED INTEREST RECEIVABLE	44,300	46,500	48,800	51,200	53,800
INVENTORY	366,800	385,100	404,400	424,600	445,800
<b>TOTAL CURRENT ASSETS</b>	<b>25,081,150</b>	<b>89,347,950</b>	<b>92,522,150</b>	<b>32,899,150</b>	<b>33,376,650</b>
<b>ASSETS WHOSE USE IS LIMITED :</b>					
CASH AND CASH EQUIVALENTS - DONATIONS	1,306,700	1,371,400	1,437,900	1,506,200	1,576,500
INVESTMENTS - RESTRICTED OPERATING RESERVE	7,544,200	7,834,900	8,428,700	9,153,100	9,610,800
LONG-TERM INVESTMENTS - ENDOWMENT	2,962,700	3,051,600	3,143,100	3,237,400	3,334,500
<b>TOTAL ASSETS WHOSE USE IS LIMITED</b>	<b>11,813,600</b>	<b>12,257,900</b>	<b>13,009,700</b>	<b>13,896,700</b>	<b>14,521,800</b>
<b>OTHER ASSETS :</b>					
LONG-TERM INVESTMENTS	548,800	618,500	690,900	766,100	844,200
PROPERTY AND EQUIPMENT (NET)	149,682,200	144,635,500	139,652,100	194,819,800	187,974,400
DEFERRED BOND COSTS (NET)	991,150	2,442,400	2,393,700	2,345,000	2,270,000
<b>TOTAL OTHER ASSETS</b>	<b>151,222,150</b>	<b>147,696,400</b>	<b>142,736,700</b>	<b>197,930,900</b>	<b>191,088,600</b>
<b>TOTAL ASSETS</b>	<b>\$ 188,116,900</b>	<b>\$ 249,302,250</b>	<b>\$ 248,268,550</b>	<b>\$ 244,726,750</b>	<b>\$ 238,987,050</b>
<b>CURRENT LIABILITIES:</b>					
CURRENT MATURITIES OF LONG-TERM DEBT	\$ 875,000	\$ 1,335,000	\$ 1,385,000	\$ 7,935,000	\$ 8,590,000
ACCOUNTS PAYABLE	802,300	834,400	861,600	886,200	903,200
ACCRUED EXPENSES	2,729,500	2,866,000	3,009,300	3,159,800	3,317,800
DEPOSITS ON UNOCCUPIED UNITS	329,600	247,200	247,200	247,200	259,600
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,736,400</b>	<b>5,282,600</b>	<b>5,503,100</b>	<b>12,228,200</b>	<b>13,070,600</b>
LONG-TERM DEBT, EXCLUDING CURRENT MATURITIES	63,280,100	124,685,000	123,250,000	108,765,000	99,520,000
LONG-TERM DEBT, BOND PREMIUM	5,563,500	5,297,650	5,031,750	4,765,850	4,499,950
DEFERRED REVENUE FROM ADMISSION FEES - REFUNDABLE	11,570,900	10,992,400	9,893,200	8,409,200	6,727,400
DEFERRED REVENUE FROM ADMISSION FEES - NON-REFUNDABLE	31,136,500	31,337,700	32,044,100	38,203,300	45,014,500
REFUNDABLE ADMISSION FEES	19,354,000	19,354,000	19,354,000	19,354,000	19,354,000
RESERVE ON DERIVATIVE CONTRACT	1,811,400	1,811,400	1,811,400	1,811,400	1,811,400
<b>TOTAL LIABILITIES</b>	<b>137,452,800</b>	<b>198,760,750</b>	<b>196,887,550</b>	<b>193,536,950</b>	<b>189,997,850</b>
<b>NET ASSETS:</b>					
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>					
DESIGNATED BY BOARD FOR SELF-INSURANCE	616,500	647,300	679,700	713,700	749,400
DESIGNATED BY BOARD FOR ENDOWMENT	229,000	235,900	243,000	250,300	257,800
DESIGNATED BY BOARD FOR CAPITAL RESERVE	3,664,200	3,537,500	3,408,300	3,276,500	3,142,000
DESIGNATED BY BOARD FOR DEBT SERVICE	4,017,700	4,178,400	4,345,500	4,519,300	4,700,100
DESIGNATED BY BOARD FOR RESTRICTED OPERATING RESERVE	7,544,200	7,834,900	8,428,700	9,153,100	9,610,800
UNDESIGNATED	30,323,100	29,684,500	29,694,800	28,533,300	25,618,100
<b>TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>46,394,700</b>	<b>46,118,500</b>	<b>46,800,000</b>	<b>46,446,200</b>	<b>44,078,200</b>
<b>NET ASSETS WITH DONOR RESTRICTIONS:</b>					
PURPOSE RESTRICTION	1,306,700	1,371,400	1,437,900	1,506,200	1,576,500
PERPETUAL IN NATURE	2,962,700	3,051,600	3,143,100	3,237,400	3,334,500
<b>TOTAL NET ASSETS</b>	<b>50,664,100</b>	<b>50,541,500</b>	<b>51,381,000</b>	<b>51,189,800</b>	<b>48,989,200</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 188,116,900</b>	<b>\$ 249,302,250</b>	<b>\$ 248,268,550</b>	<b>\$ 244,726,750</b>	<b>\$ 238,987,050</b>

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

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

**FORECASTED STATEMENTS OF OPERATIONS**

For The Years Ending September 30, 2021 Through 2025

	2021	2022	2023	2024	2025
REVENUES, GAINS AND OTHER SUPPORT:					
NURSING CARE	\$ 9,778,800	\$ 10,710,100	\$ 11,216,900	\$ 11,705,200	\$ 12,114,800
MEMORY CARE	3,394,500	3,286,700	3,411,700	3,806,500	3,938,300
ASSISTED LIVING	2,040,500	2,135,800	2,210,700	2,288,000	2,368,000
INDEPENDENT LIVING	13,329,700	14,076,300	14,866,900	16,012,300	17,525,100
ADMISSION FEES EARNED	4,737,300	4,859,700	4,992,800	5,024,800	5,158,200
ANCILLARIES	1,480,700	1,749,600	1,828,600	1,939,000	2,006,600
HOME CARE AND ADULT DAY SERVICES	735,000	909,800	950,900	1,008,300	1,043,500
DIETARY	357,800	495,700	521,700	554,400	592,800
OTHER OPERATING REVENUES	327,900	377,600	396,300	422,700	449,300
INVESTMENT EARNINGS	532,500	565,200	1,012,000	1,151,100	638,300
NET UNREALIZED GAIN ON INVESTMENTS	6,700	6,900	7,100	7,300	7,500
DONATIONS	160,000	166,400	173,100	180,000	187,200
<b>TOTAL</b>	<b>36,881,400</b>	<b>39,339,800</b>	<b>41,588,700</b>	<b>44,099,600</b>	<b>46,029,600</b>
LESS: MEDICARE AND MEDICAID CONTRACTURAL ADJUSTMENTS	1,934,200	2,219,400	2,433,100	2,692,100	2,789,600
CHARITABLE AND OTHER CONTRACTURAL ALLOWANCES	627,200	528,700	554,900	591,700	629,100
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>34,320,000</b>	<b>36,591,700</b>	<b>38,600,700</b>	<b>40,815,800</b>	<b>42,610,900</b>
OPERATING EXPENSES:					
NURSING CARE	4,543,900	4,725,700	4,914,700	5,091,300	5,270,000
MEMORY CARE	2,346,400	2,440,300	2,537,900	2,639,400	2,745,000
DIETARY	2,295,900	2,387,700	2,483,200	2,557,500	2,629,800
HOUSEKEEPING	513,400	533,900	555,300	577,500	600,600
LAUNDRY	184,000	191,400	199,100	207,100	215,400
PHARMACY	84,000	87,400	90,900	94,500	98,300
THERAPIES	817,000	862,300	989,100	1,062,800	1,106,300
SOCIAL SERVICES	162,400	168,900	175,700	182,700	190,000
ACTIVITIES	192,400	200,100	208,100	216,400	225,100
NURSING ADM./MEDICAL REC.	922,400	959,300	997,700	1,037,600	1,079,100
MAINTENANCE	3,639,400	3,785,000	3,936,400	4,118,900	4,282,700
GROUPS	943,400	981,100	1,020,300	1,066,100	1,108,700
SECURITY	390,100	405,700	421,900	438,800	456,400
ADMINISTRATION AND GENERAL	3,235,000	3,364,400	3,499,000	3,649,000	3,795,000
PASTORAL SERVICES	113,100	117,600	122,300	127,200	132,300
ASSISTED LIVING	1,084,600	1,128,000	1,173,100	1,220,000	1,268,800
TERRACE CAFE	561,400	583,900	607,300	631,600	656,900
INDEPENDENT LIVING	1,934,500	2,011,900	2,092,400	2,191,100	2,283,700
SALES AND MARKETING	436,100	453,500	471,600	490,500	510,100
DEVELOPMENT AND OUTREACH	270,000	280,800	292,000	303,700	315,800
HOME CARE AND ADULT DAY CARE	730,400	909,800	950,900	1,008,300	1,043,500
BEAUTY AND BARBER	67,200	69,900	72,700	75,600	78,600
INTEREST EXPENSE	1,152,500	2,459,200	2,409,000	3,558,200	5,296,100
AMORTIZATION	48,700	48,700	48,700	48,700	75,000
DEPRECIATION	7,485,300	7,646,700	7,583,400	8,506,800	9,445,400
<b>TOTAL OPERATING EXPENSES</b>	<b>34,153,500</b>	<b>36,803,200</b>	<b>37,852,700</b>	<b>41,101,300</b>	<b>44,908,600</b>
<b>OPERATING INCOME (LOSS)</b>	<b>166,500</b>	<b>(211,500)</b>	<b>748,000</b>	<b>(285,500)</b>	<b>(2,297,700)</b>
CHANGES IN NET ASSETS PERPETUAL IN NATURE:					
NET UNREALIZED GAIN ON INVESTMENTS	86,300	88,900	91,500	94,300	97,100
<b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$ 252,800</b>	<b>\$ (122,600)</b>	<b>\$ 839,500</b>	<b>\$ (191,200)</b>	<b>\$ (2,200,600)</b>
NET ASSETS - BEGINNING OF YEAR	50,411,300	50,664,100	50,541,500	51,381,000	51,189,800
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 50,664,100</b>	<b>\$ 50,541,500</b>	<b>\$ 51,381,000</b>	<b>\$ 51,189,800</b>	<b>\$ 48,989,200</b>

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

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA****FORECASTED STATEMENTS OF CASH FLOWS**

For The Years Ending September 30, 2021 Through 2025

	2021	2022	2023	2024	2025
CASH FLOWS FROM OPERATING ACTIVITIES:					
CASH RECEIVED FROM RESIDENTS AND THIRD PARTY PAYORS	\$ 28,794,100	\$ 30,896,100	\$ 32,332,500	\$ 34,338,400	\$ 36,520,900
INVESTMENT INCOME RECEIVED	554,800	563,000	1,009,700	1,148,700	635,700
DONATIONS RECEIVED	160,000	166,400	173,100	180,000	187,200
CASH PAID TO SUPPLIERS AND EMPLOYEES	(26,363,650)	(26,498,300)	(27,660,400)	(28,832,700)	(29,938,300)
INTEREST PAID	(1,418,400)	(2,725,100)	(2,674,900)	(3,824,100)	(5,562,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,726,850	2,402,100	3,180,000	3,010,300	1,843,500
CASH FLOWS FROM INVESTING ACTIVITIES:					
PURCHASE OF INVESTMENTS	(3,639,900)	(704,100)	(1,027,200)	(1,178,800)	(934,100)
ACQUISITION OF PROPERTY AND EQUIPMENT	(34,056,200)	(2,600,000)	(2,600,000)	(63,674,500)	(2,600,000)
NET CASH USED BY INVESTING ACTIVITIES	(37,696,100)	(3,304,100)	(3,627,200)	(64,853,300)	(3,534,100)
CASH FLOWS FROM FINANCING ACTIVITIES:					
ADMISSION FEES RECEIVED	5,900,000	5,000,000	5,200,000	10,300,000	10,900,000
ADMISSION FEES REFUNDED	(800,000)	(600,000)	(600,000)	(600,000)	(600,000)
BOND ISSUANCE COST	-	(1,500,000)	-	-	-
PROCEEDS OF LONG-TERM DEBT	5,841,200	63,200,000	-	-	-
PAYMENTS OF LONG-TERM DEBT	(875,000)	(1,335,000)	(1,385,000)	(7,935,000)	(8,590,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	10,066,200	64,765,000	3,215,000	1,765,000	1,710,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(25,903,050)	63,863,000	2,767,800	(60,078,000)	19,400
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	43,190,800	17,287,750	81,150,750	83,918,550	23,840,550
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 17,287,750	\$ 81,150,750	\$ 83,918,550	\$ 23,840,550	\$ 23,859,950
RECONCILIATION OF CHANGE IN NET ASSETS					
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
INCREASE (DECREASE) IN NET ASSETS	\$ 252,800	\$ (122,600)	\$ 839,500	\$ (191,200)	\$ (2,200,600)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS					
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
AMORTIZATION OF ADMISSION FEES	(4,737,300)	(4,859,700)	(4,992,800)	(5,024,800)	(5,158,200)
DEPRECIATION AND AMORTIZATION	7,534,000	7,695,400	7,632,100	8,555,500	9,520,400
AMORTIZATION OF BOND PREMIUM	(265,900)	(265,900)	(265,900)	(265,900)	(265,900)
NET DECREASE IN RECEIVABLES, INVENTORY AND PREPAID EXPENSES	(84,550)	(117,900)	(104,800)	(136,800)	(122,600)
NET DECREASE (INCREASE) IN PAYABLES AND ACCRUED EXPENSES	(879,200)	168,600	170,500	175,100	175,000
NET UNREALIZED GAIN ON INVESTMENTS	(93,000)	(95,800)	(98,600)	(101,600)	(104,600)
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,726,850	\$ 2,402,100	\$ 3,180,000	\$ 3,010,300	\$ 1,843,500

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

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

September 30, 2021 Through September 30, 2025

**I. Introduction**

This financial forecast presents, to the best of management's knowledge and belief, Lutheran Retirement Ministries of Alamance County, North Carolina's expected financial position, results of operations and cash flows for the forecast period. Accordingly, the forecast reflects its judgment as of February 23, 2021, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and these differences may be material. The financial forecast was prepared to provide Lutheran Retirement Ministries of Alamance County, North Carolina residents and prospective residents information about the expected financial results of the organization. Management does not expect to update the financial forecast after issuance. However, management expects to prepare a new forecast annually to provide to residents and prospective residents, and since events and circumstances frequently do not occur as anticipated, subsequent forecasts may vary materially from those currently provided.

**II. Summary of Significant Accounting Policies**

**A. Basis of Presentation:**

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

**B. Cash and Cash Equivalents:**

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

**C. Allowance for Doubtful Accounts:**

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

**D. Inventory:**

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

**E. Investments:**

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

**F. Property and Equipment:**

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

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

**G. Loan Costs:**

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

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

September 30, 2021 Through September 30, 2025

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

**H. Admission Fees:**

Payment of an admission fee is required before a resident acquires the right to reside in an independent living unit. The Organization offers two different types for all independent living contracts. One contract type provides for an admission fee of which 50% is fully refundable and 50% is refundable on a declining pro rata basis during the first 30 months of occupancy. The other contract type provides for the entire admission fee to be refundable on a declining pro rata basis during the first 30 months of occupancy. After this 30 month period, no portion of the admission fee is refundable.

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

**I. Tax Status:**

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

**III. Operating Fund**

**A. Accounts Receivable:**

Accounts receivable are forecast as follows:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Resident services	\$ 1,624,100	\$ 1,721,800	\$ 1,803,900	\$ 1,919,100	\$ 2,017,400
Other	<u>175,000</u>	<u>182,000</u>	<u>189,300</u>	<u>196,900</u>	<u>204,800</u>
	1,799,100	1,903,800	1,993,200	2,116,000	2,222,200
Allowance for doubtful accounts	<u>( 121,800)</u>	<u>( 129,100)</u>	<u>( 135,300)</u>	<u>( 143,900)</u>	<u>( 151,300)</u>
	<u>\$ 1,677,300</u>	<u>\$ 1,774,700</u>	<u>\$ 1,857,900</u>	<u>\$ 1,972,100</u>	<u>\$ 2,070,900</u>

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

**B. Inventory:**

Inventory is forecast to increase by 5% annually.

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

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

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

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



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

September 30, 2021 Through September 30, 2025

**III. Operating Fund (continued)**

**E. Property and Equipment:**

Property and equipment are forecast as follows:

	2021	2022	2023	2024	2025
Land	\$ 8,694,800	\$ 8,694,800	\$ 8,694,800	\$ 8,694,800	\$ 8,694,800
Land improvements	15,686,100	15,686,100	15,686,100	15,686,100	15,686,100
Buildings	200,559,800	203,059,800	205,559,800	269,134,300	271,634,300
Paving	1,131,800	1,131,800	1,131,800	1,131,800	1,131,800
Furniture and equipment	<u>11,176,100</u>	<u>11,276,100</u>	<u>11,376,100</u>	<u>11,476,100</u>	<u>11,576,100</u>
Total	237,248,600	239,848,600	242,448,600	306,123,100	308,723,100
Less:					
Accumulated depreciation	<u>87,566,400</u>	<u>95,213,100</u>	<u>102,796,500</u>	<u>111,303,300</u>	<u>120,748,700</u>
Net property and equipment	<u>\$ 149,682,200</u>	<u>\$ 144,635,500</u>	<u>\$ 139,652,100</u>	<u>\$ 194,819,800</u>	<u>\$ 187,974,400</u>

Major property and equipment additions are forecast to include:

Year Completed	Description	Forecast Construction Cost
2021	Renovations and Capital Replacement	\$ 2,200,000
2021	Site Development	300,000
2021	Fitness/ Boland Center Renovation	5,900,000
2021	Skilled Nursing Facility Replacement	54,500,000
2021	Demolition (old Skilled Nursing Facility)	500,000
2021	Garden Homes ( 28 units ) & Harris Park	17,389,400
2022	Renovations and Capital Replacement	2,200,000
2022	Site Development	300,000
2023	Renovations and Capital Replacement	2,200,000
2023	Site Development	300,000
2024	Renovations and Capital Replacement	2,200,000
2024	Site Development	1,427,900
2024	Apartment Building – IL (Phase 1)	50,000,000
2024	Gathering Hall	12,000,000
2025	Renovations and Capital Replacement	2,200,000
2025	Site Development	<u>300,000</u>
		<u>\$ 153,917,300</u>

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

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

**G. Long Term Debt:**

During the fiscal year ended September 30, 2020, the Ministries, through the North Carolina Medical Care Commission, issued \$42,860,000 of Series 2019A Public Fixed Rate Bonds and received a premium of \$6,361,157. Interest is fixed at 5.0% with an effective rate of 4.49% after consideration of the bond premium and the debt issuance costs. Interest only payments are required until January 2034. At that time interest and principal payments are required until the bonds are retired in 2049. Series 2019B Bank Placement Bonds in the amount of \$23,025,000 were also issued at this time in order to refinance former bank qualified bonds. Interest is payable on a variable rate equal to 79% of one-month LIBOR plus a 0.77% credit spread. Interest and principal payments are required until the bonds are retired in 2034. Both bond issues are collateralized by revenues and property and equipment. There are various restrictive covenants on the issuance of additional debt, sale of property, and the proper maintenance of financial ratios.

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

September 30, 2021 Through September 30, 2025

**III. Operating Fund (continued)**

**H. Reserve on Derivative Contracts:**

The Ministries has interest rate swap agreements in order to minimize its exposure to the impact of interest rate changes on its long-term debt. This enables the Ministries to maintain fixed rate debt on a significant portion of its overall long-term debt. When the prevailing variable rate differs from the fixed rate covered by the swap agreements, an asset or liability exists. The asset or liability represents the true benefit or cost the Ministries would receive or accrue if the swap agreements were terminated. The Ministries anticipates holding the interest rate swap agreements until the notional amount of debt is retired. This liability has been recorded in the five year forecast based on the value at September 30, 2020 and has not been adjusted for the periods ended September 30, 2021 through September 30, 2025.

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

Deferred revenue from admission fees has been forecast as follows:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Balance - Beginning of Year	\$ 62,028,300	\$ 62,391,000	\$ 61,931,300	\$ 61,538,500	\$ 66,213,700
New Unit Contracts:					
Apartments (Phase 1)	1,300,000	-	-	5,000,000	5,500,000
Turnover Contracts:					
Apartments and Villas	4,000,000	4,200,000	4,400,000	4,500,000	4,600,000
Garden Homes (non-refundable)	300,000	400,000	400,000	400,000	400,000
Garden Homes (refundable)	300,000	400,000	400,000	400,000	400,000
Amortization of existing contract fees	( 3,867,300)	( 3,616,200)	( 3,372,800)	( 3,132,500)	( 2,898,200)
Amortization of new contract fees					
East Campus	( 270,000)	( 534,500)	( 820,000)	( 1,092,300)	( 1,360,000)
Amortization turnover (remainder write-off)	( 600,000)	( 700,000)	( 800,000)	( 800,000)	( 900,000)
Refunds (\$200,000 east + 50% of west turnover)	( 800,000)	( 600,000)	( 600,000)	( 600,000)	( 600,000)
Balance - End of Year	<u>\$ 62,391,000</u>	<u>\$ 61,931,300</u>	<u>\$ 61,538,500</u>	<u>\$ 66,213,700</u>	<u>\$ 71,355,500</u>
Income for the Year	<u>\$ 4,737,300</u>	<u>\$ 4,859,700</u>	<u>\$ 4,992,800</u>	<u>\$ 5,024,800</u>	<u>\$ 5,158,200</u>
Refundable Admission Fees	\$ 19,354,000	\$ 19,354,000	\$ 19,354,000	\$ 19,354,000	\$ 19,354,000
Deferred Revenue - Refundable	11,570,900	10,992,400	9,893,200	8,409,200	6,727,400
Deferred Revenue - Non-Refundable	<u>31,466,100</u>	<u>31,584,900</u>	<u>32,291,300</u>	<u>38,450,500</u>	<u>45,274,100</u>
Total Deferred Revenue - End of Year	<u>\$ 62,391,000</u>	<u>\$ 61,931,300</u>	<u>\$ 61,538,500</u>	<u>\$ 66,213,700</u>	<u>\$ 71,355,500</u>

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

<u>Year</u>	<u>Description</u>	<u>Average Admission Fee Per Unit</u>
2024	Apartments (48)	\$ 270,833

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

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

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

September 30, 2021 Through September 30, 2025

**III. Operating Fund (continued)**

**J. Resident Service Revenues:**

Resident service revenues have been forecast based on 91% average occupancy for nursing, 91% for memory care, 88% for assisted living and 92% for independent living. All rates have been forecast to increase by 3.5% per year and include the forecasted addition of new units. The forecast reflects a discount from these published rates for independent living residents who signed residency contracts prior to September 30, 2003. Forecast rates are as follows:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Health Care (Daily Rates)					
Private	\$ 310	\$ 321	\$ 332	\$ 344	\$ 356
Semi-private	300	311	322	333	345
Home for aged	300	311	322	333	345
Market rate (Non Community Member)	325	336	348	360	373
Memory care (Daily Rates)					
Skilled - Private	320	331	343	355	367
Skilled - Semi-private	310	321	332	344	356
Assisted - Private	310	321	332	344	356
Assisted - Semi-private	300	311	322	333	345
Assisted living units (Monthly Rates)					
Small	5,261	5,445	5,636	5,833	6,037
Large	5,597	5,793	5,996	6,206	6,423
2 <sup>nd</sup> person	2,442	2,529	2,618	2,710	2,805
Independent living - residents prior to 10/1/03 (Monthly Rates)					
One bedroom apartment	1,556	1,610	1,666	1,724	1,784
Two bedroom apartment	1,824	1,888	1,954	2,022	2,093
Villa A	1,824	1,888	1,954	2,022	2,093
Villa B	1,989	2,059	2,131	2,206	2,283
Villa C	1,824	1,888	1,954	2,022	2,093
Villa D	1,989	2,059	2,131	2,206	2,283
2 <sup>nd</sup> person	576	596	617	639	661
Independent living - residents subsequent to 10/1/03 (Monthly Rates)					
One bedroom apartment	1,634	1,691	1,750	1,811	1,874
Two bedroom apartment	1,847	1,912	1,979	2,048	2,120
Wittenberg					
Small	2,094	2,121	2,195	2,272	2,353
Large	2,138	2,213	2,290	2,370	2,453
Villa A	2,320	2,401	2,485	2,572	2,662
Villa B	2,412	2,496	2,583	2,673	2,767
Villa C	2,320	2,401	2,485	2,572	2,662
Villa D	2,412	2,496	2,583	2,673	2,767
2 <sup>nd</sup> person	658	681	705	730	756
Garden Home - E & F	2,758	2,855	2,955	3,058	3,165
Garden Home - G	2,935	3,038	3,144	3,254	3,368
Garden Home - H & I	3,106	3,215	3,328	3,444	3,565
Garden Home - J	2,512	2,600	2,691	2,785	2,882
2 <sup>nd</sup> person - Garden Home	658	681	705	730	756
New construction - independent living apartments (Phase 1)					
Magnolia	2,275	2,355	2,437	2,522	2,610
Oak	2,308	2,389	2,473	2,560	2,650
Poplar	2,368	2,451	2,537	2,626	2,718
Redbud	2,512	2,600	2,691	2,785	2,882
Sycamore	2,684	2,778	2,875	2,976	3,080
Tupelo	2,770	2,867	2,967	3,071	3,178
Willow	2,785	2,882	2,983	3,087	3,195
2 <sup>nd</sup> person	658	681	705	730	756

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA**  
**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**  
 September 30, 2021 Through September 30, 2025

**III. Operating Fund (continued)**

**K. Other Operating Revenues:**

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

**L. Operating Expenses:**

The 2021 operating expenses were taken from the 2020-2021 adopted budget.

Operating expenses have been forecast to increase as follows in the following departments for 2021 through 2025.

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

**IV. Endowment Fund**

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

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

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

**d/b/a**

**TWIN LAKES COMMUNITY**

**DISCLOSURE STATEMENT**

**ATTACHMENT 3**

**2019-2020 FORECASTED VS. ACTUAL**

**BALANCE SHEET**

**STATEMENT OF OPERATIONS**

**STATEMENT OF CASH FLOWS**

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NC  
 FORECASTED VS ACTUAL BALANCE SHEET  
 SEPTEMBER 30, 2020**

	2020 Forecast	2020 Actual	Favorable/(Unfavorable)		NOTES
			\$ Variance	% Variance	
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
CASH AND CASH EQUIVALENTS	69,831,750	20,279,284	(49,552,466)	-70.96%	(1)
INVESTMENTS	7,146,500	6,677,816	(468,684)	-6.56%	
ACCOUNTS RECEIVABLE (NET)	1,651,800	1,587,999	(63,801)	-3.86%	
INVENTORY	278,400	349,265	70,865	25.45%	
PREPAID EXPENSES	15,400	42,174	26,774	N/A	
<b>TOTAL CURRENT ASSETS</b>	<b>78,923,850</b>	<b>28,936,538</b>	<b>(49,987,312)</b>	<b>-63.34%</b>	
<b>ASSETS WHOSE USE IS LIMITED :</b>					
CASH - RESTRICTED DONATIONS	1,150,500	22,911,502	21,761,002	1891.44%	(1)
INVESTMENTS - OPERATING RESERVE	6,810,800	7,203,500	392,700	5.77%	
LONG-TERM INVESTMENTS - ENDOWMENT	2,845,700	2,802,318	(43,382)	-1.52%	
<b>TOTAL ASSETS WHOSE USE IS LIMITED</b>	<b>10,807,000</b>	<b>32,917,320</b>	<b>22,110,320</b>	<b>204.59%</b>	
<b>OTHER ASSETS :</b>					
LONG-TERM INVESTMENTS	355,500	481,689	126,189	35.50%	
PROPERTY AND EQUIPMENT, NET	87,832,500	123,663,194	35,830,694	40.79%	(2)
DEFERRED BOND COSTS, NET	1,035,550	-	(1,035,550)	-100.00%	(3)
<b>TOTAL OTHER ASSETS</b>	<b>89,223,550</b>	<b>124,144,883</b>	<b>34,921,333</b>	<b>39.14%</b>	
<b>TOTAL ASSETS</b>	<b>178,954,400</b>	<b>185,998,741</b>	<b>7,044,341</b>	<b>3.94%</b>	
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES:</b>					
CURRENT MATURITIES OF LONG-TERM DEBT	855,000	875,000	20,000	2.34%	
ACCOUNTS PAYABLE	765,100	1,811,512	1,046,412	136.77%	(4)
CONSTRUCTION CONTRACTS PAYABLE	-	551,848	551,848	N/A	(5)
ACCRUED EXPENSES	2,486,300	2,599,510	113,210	4.55%	
DEFERRED REVENUE	-	3,867,315	3,867,315	N/A	(6)
DEPOSITS ON UNOCCUPIED UNITS	1,157,100	329,599	(827,501)	-71.52%	(7)
DEFERRED REVENUE SBA PPP/HHS PROVIDER RELIEF	-	3,640,500	3,640,500	N/A	(8)
<b>TOTAL CURRENT LIABILITIES</b>	<b>5,263,500</b>	<b>13,675,284</b>	<b>8,411,784</b>	<b>159.81%</b>	
LONG-TERM DEBT, EXCLUDING CURRENT MATURITIES	64,091,400	62,977,496	(1,113,904)	-1.74%	(1)
DEFERRED REVENUE FROM ADMISSION FEES - REFUNDABLE	7,044,900	11,019,972	3,975,072	56.42%	(9)
DEFERRED REVENUE FROM ADMISSION FEES - NON-REFUNDABLE	30,915,200	26,749,249	(4,165,951)	-13.48%	(6)
DEFERRED REVENUE FROM OCCUPANCY FEES	-	-	-	N/A	
REFUNDABLE ADMISSION FEES	20,718,500	19,354,060	(1,364,440)	-6.59%	(10)
RESERVE ON DERIVATIVE CONTRACT	864,200	1,811,365	947,165	109.60%	(11)
<b>TOTAL LIABILITIES</b>	<b>128,897,700</b>	<b>135,587,426</b>	<b>6,689,726</b>	<b>5.19%</b>	
<b>NET ASSETS:</b>					
<b>UNRESTRICTED (DESIGNATED BY BOARD):</b>					
SELF-INSURANCE	823,800	587,127	(236,673)	-28.73%	
ENDOWMENT	215,400	222,332	6,932	3.22%	
CAPITAL RESERVE	3,618,000	3,798,070	180,070	4.98%	
DEBT SERVICE	3,960,200	3,875,859	(84,341)	-2.13%	
MEMORIAL GARDEN	-	46,870	46,870	N/A	
OPERATING RESERVE	6,810,800	7,203,500	392,700	5.77%	
UNDESIGNATED	30,632,300	30,726,416	94,116	0.31%	
<b>TOTAL UNRESTRICTED NET ASSETS</b>	<b>46,060,500</b>	<b>46,460,174</b>	<b>399,674</b>	<b>0.87%</b>	
TEMPORARILY RESTRICTED - DONATIONS	1,150,500	1,074,739	(75,761)	-6.59%	
PERMANENTLY RESTRICTED - ENDOWMENT	2,845,700	2,876,402	30,702	1.08%	
<b>TOTAL NET ASSETS</b>	<b>50,056,700</b>	<b>50,411,315</b>	<b>354,615</b>	<b>0.71%</b>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>178,954,400</b>	<b>185,998,741</b>	<b>7,044,341</b>	<b>3.94%</b>	

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

**NOTES ON MATERIAL DIFFERENCES:**

- (1) CASH AND INVESTMENTS ARE LOWER THAN FORECAST DUE TO OVERALL TIMING OF PAYMENTS OF THE BOND PROCEEDS TOWARD THE CONSTRUCTION OF THE NEW SKILLED HEALTHCARE BUILDING. AS WELL AS PAYMENTS FOR CONSTRUCTION OF 28 NEW GARDEN HOMES AND FITNESS.BOLAND RENOVATIONS.

- (2) PROPERTY, PLANT & EQUIPMENT INCREASED AS COMPARED TO FORECAST TIMING OF THE COMPLETION OF THE MAJOR CONSTRUCTION PROJECTS ON CAMPUS LIKE, PHASE 8 GARDEN HOMES, NEW SKILLED HEALTHCARE BUILDING PROJECT AND FITNESS/BOLAND RENOVATIONS.
- (3) BOND CLOSING COSTS DECREASE VS THE FORECAST IS DUE TO THE CLOSING COSTS BEING GROUPED IN WITH THE LONG TERM DEBT FOR REPORTING PURPOSES AND ACTUAL CLOSING COSTS WERE \$1,039,879 WHICH IS IN-LINE WITH FORECAST
- (4) INCREASE IN ACCOUNTS PAYABLE VS FORECAST IS MAINLY DUE TO TIMING OF PAYMENTS TO VENDORS FOR ON-GOING CONSTRUCTION PROJECTS AND UNIT TURNOVER PROJECTS.
- (5) INCREASE IN CONSTRUCTION CONTRACTS PAYABLE INCREASED VS FORECAST IS DUE THE CONSTRUCTION CONTRACTS PAYABLE IS NOT FORECASTED ON A YEARLY BASIS.
- (6) DEFERRED REVENUE FROM ADMISSION FEES - NON-REFUNDABLE IS SLIGHTLY LOWER THAN FORECAST DUE TO LOWER ANTICIPATED ADMISSION FEE RECEIPTS.
- (7) INCREASE IN DEPOSITS ON UNOCCUPIED UNITS VS FORECAST IS MAINLY DUE TO THE TIMING OF THE DEPOSITS ON AVAILABLE UNITS.
- (8) INCREASE IN DEFERRED REVENUE HHS PROVIDER RELIEF AND SBA PAYROLL PROTECTION PROGRAM IS MAINLY DUE TO THE ORGANIZATION RECEIVING FUNDS FROM GOVERNMENT PROGRAMS TO HELP EMPLOYERS DUE TO THE COVID PANDEMIC WHICH WAS NOT REFLECTED IN THE FORECAST.
- (9) DEFERRED REVENUE FROM ADMISSION FEES - REFUNDABLE HIGHER THAN FORECAST DUE TO CLOSING ON 27 OF THE 28 NEW GARDEN HOMES IN THE CURRENT YEAR.
- (10) DEFERRED REVENUE FROM ADMISSION FEES - REFUNDABLE LOWER THAN FORECAST DUE LOWER TURNOVER OF GARDEN HOMES AS WELL AS INCREASE IN REFUNDS IN THE CURRENT YEAR.
- (11) RESERVE ON DERIVATIVE CONTRACT INCREASED DUE TO INTEREST RATES STAYING AT LOWER LEVELS THAN FORECASTED FOR THE INTEREST RATE SWAPS.

**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NC  
FORECASTED VS ACTUAL STATEMENT OF OPERATIONS  
SEPTEMBER 30, 2020**

	2020 Forecast	2020 Actual	Favorable/(Unfavorable)		NOTES
			\$ Variance	% Variance	
REVENUES:					
RESIDENT SERVICE REVENUES (NET)	29,938,100	29,903,616	(34,484)	-0.12%	
ADMISSION FEES EARNED	4,155,300	4,309,745	154,445	3.72%	
OTHER OPERATING REVENUES	(1,793,900)	(1,955,557)	(161,657)	9.01%	
<b>TOTAL REVENUES</b>	<b>32,299,500</b>	<b>32,257,804</b>	<b>(41,696)</b>	<b>-0.13%</b>	
EXPENSES:					
OPERATING EXPENSES	23,607,100	23,416,802	190,298	-0.81%	
DEPRECIATION AND AMORTIZATION	6,995,700	6,743,936	251,764	-3.60%	(1)
INTEREST	1,042,800	332,164	710,636	-68.15%	(2)
<b>TOTAL EXPENSES</b>	<b>31,645,600</b>	<b>30,492,902</b>	<b>1,152,698</b>	<b>-3.64%</b>	
INCOME FROM OPERATIONS	653,900	1,764,902	1,111,002	169.90%	
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	82,900	113,586	30,686	37.02%	
CHANGE IN VALUE INVESTMENTS - WITHOUT DONOR RESTRICTIONS	0	160,124	160,124	N/A	
CHANGE IN VALUE OF INTEREST RATE SWAP AGREEMENT	0	(947,200)	(947,200)	N/A	(3)
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>736,800</b>	<b>1,091,412</b>	<b>354,612</b>	<b>48.13%</b>	

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

**NOTES ON MATERIAL DIFFERENCES:**

- (1) INCREASE IN DEPRECIATION AND AMORTIZATION VS FORECAST IS DUE TO THE INCREASED DEPRECIATION FOR NEW ADDITIONS IN THE CURRENT YEAR.
- (2) DECREASE IN INTEREST PAID VS FORECAST IS MAINLY DUE TO LOWER INTEREST RATES IN CURRENT YEAR AND WE ARE ABLE TO CAPITALIZE INTEREST RELATED TO THE CONSTRUCTION ON THE NEW SKILLED NURSING BUILDING.
- (3) INCREASE IN CHANGE OF DERIVATIVE CONTRACT IS MAINLY DUE TO ACTUAL INTEREST RATES REMAINING LOW AS COMPARED TO THE RATES FOR OUR INTEREST RATE SWAPS AND THIS CHANGE IS NOT FORECASTED EACH YEAR.



**LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NC  
 FORECASTED VS ACTUAL STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDING SEPTEMBER 30, 2020**

	2020 Forecast	2020 Actual	Favorable/(Unfavorable)		NOTES
			\$ Variance	% Variance	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
CASH RECEIVED FROM RESIDENTS AND THIRD PARTY PAYORS	26,960,100	38,154,123	11,194,023	41.52%	(1)
INVESTMENT INCOME RECEIVED	507,600	559,242	51,642	10.17%	
CONTRIBUTIONS RECEIVED	175,000	187,998	12,998	7.43%	
CASH PAID TO SUPPLIERS AND EMPLOYEES	(23,519,050)	(22,204,709)	1,314,341	-5.59%	(2)
INTEREST PAID	(1,042,800)	(357,165)	685,635	-65.75%	(3)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>3,080,850</b>	<b>16,339,489</b>	<b>13,258,639</b>	<b>430.36%</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
ACQUISITION OF PROPERTY AND EQUIPMENT	(6,136,800)	(41,202,761)	(35,065,961)	571.40%	(4)
PROCEEDS FROM SALE OF PROPERTY AND EQUIPMENT	-	6,921	6,921	N/A	
PROCEEDS FROM SALE OF INVESTMENTS	-	7,592,999	7,592,999	N/A	(5)
PURCHASE OF INVESTMENTS	(579,500)	(8,149,937)	(7,570,437)	1306.37%	(5)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(6,716,300)</b>	<b>(41,752,778)</b>	<b>(35,036,478)</b>	<b>521.66%</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
ADMISSION FEES RECEIVED	12,804,000	4,273,950	(8,530,050)	-66.62%	(1)
ADMISSION FEES REFUNDED	(1,200,000)	(1,486,400)	(286,400)	23.87%	
MEMORIAL GARDEN FEES RECEIVED	-	5,000	5,000	N/A	
ENDOWMENT DONATIONS	-	3,393	3,393	N/A	
PROCEEDS OF LONG TERM DEBT	49,221,200	49,026,217	(194,983)	-0.40%	
PROGRAM LOAN	-	2,932,300	2,932,300	N/A	(6)
PAYMENTS ON BOND CLOSIGN COSTS	(1,008,000)	(946,814)	61,186	-6.07%	
PRINCIPAL PAYMENTS OF LONG-TERM DEBT	(855,000)	(855,000)	-	0.00%	
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>58,962,200</b>	<b>52,952,646</b>	<b>(6,009,554)</b>	<b>-10.19%</b>	
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>55,326,750</b>	<b>27,539,357</b>	<b>(27,787,393)</b>	<b>-50.22%</b>	
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>15,655,500</b>	<b>15,655,521</b>	<b>21</b>	<b>0.00%</b>	
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>70,982,250</b>	<b>43,194,878</b>	<b>(27,787,372)</b>	<b>-39.15%</b>	
<b>RECONCILIATION OF CHANGE IN NET ASSETS - TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
INCREASE (DECREASE) IN NET ASSETS	736,800	1,091,412	354,612	48.13%	
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
ENDOWMENT DONATIONS	-	(3,393)	(3,393)	N/A	
CHANGE IN VALUE OF DERIVATIVE CONTRACT	-	947,200	947,200	N/A	(7)
(GAIN)/LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT	-	(6,857)	(6,857)	N/A	
AMORTIZATION OF DEFERRED REVENUES FROM ADMISSION FEES	(4,155,300)	(4,309,745)	(154,445)	3.72%	
RECEIPT OF NON-REFUNDABLE ADMISSION FEES	-	10,794,889	10,794,889	N/A	(1)
REFUNDS ON NON-REFUNDABLE CONTRACTS	-	(337,564)	(337,564)	N/A	
DEPRECIATION AND AMORTIZATION	6,995,700	6,765,094	(230,606)	-3.30%	
AMORTIZATION OF OCCUPANCY FEES	-	-	-	N/A	
INVENTORY AND PREPAID EXPENSES	(508,450)	(566,752)	(58,302)	11.47%	
NET INCREASE/(DECREASE) IN PAYABLES AND ACCRUED EXPENSES	101,300	1,260,937	1,159,637	1144.76%	(8)
NET UNREALIZED (GAIN)/LOSS ON INVESTMENTS	-	(238,569)	(238,569)	N/A	
NET REALIZED (GAIN)/LOSS ON INVESTMENTS	(89,200)	241,637	330,837	-370.89%	
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>3,080,850</b>	<b>15,638,289</b>	<b>12,557,439</b>	<b>407.60%</b>	

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

**NOTES ON MATERIAL DIFFERENCES:**

- (1) FOR AUDIT PRESENTATION PURPOSES THE NET RECEIPT OF \$10,751,989 OF NON-REFUNDABLE ADMISSION FEES HAS BEEN SHOWN AS AN OPERATING ACTIVITY INSTEAD OF A FINANCING ACTIVITY AS IN THE FORECAST. OVERALL NET ADMISSION FEE RECEIPTS WERE HIGHER THAN FORECAST BY \$2,663,973 DUE TO HIGHER ADMISSION FEE RECEIPTS AS COMPARED TO FORECAST.
- (2) DECREASE IN CASH PAID TO SUPPLIERS AND EMPLOYEES VS FORECAST IS MAINLY DUE TO LOWER AMOUNTS PAID TO SUPPLIERS DURING COVID PANDEMIC VS THE FORECAST.
- (3) DECREASE IN INTEREST PAID VS FORECAST IS MAINLY DUE TO LOWER INTEREST RATES IN CURRENT YEAR AND WE ARE ABLE TO CAPITALIZE INTEREST PAID RELATED TO THE CONSTRUCTION ON THE NEW SKILLED NURSING BUILDING.
- (4) INCREASE IN ACQUISITION OF PROPERTY AND EQUIPMENT IS HIGER VS FORECAST DUE THE TIMING OF MAJOR CONSTRUCTION PROJECTS ON CAMPUS LIKE THE NEW SKILLED NURSING BUILDING, 28 NEW GARDEN HOMES, AND FITNESS/BOLAND RENOVATIONS IN CURRENT YEAR.
- (5) OVERALL NET INCREASE IN PURCHASE AND SALE OF INVESTMENTS VERSUS OUR FORECAST IS BELOW THE \$500,000. THE MAIN DIFFERENCE IS THAT IN THE CURRENT YEAR THE PURCHASES AND SALES ARE BROKEN OUT SEPERATELY AND THE FORECAST IS A NET AMOUNT.
- (6) INCREASE IN PROGRAM LOAN VS FORECAST IS DUE TO US RECEIVING FUNDING FOR THE PAYROLL PROTECTION PROGRAM FROM THE GOVERNMENT DUE TO THE COVID-19 IMPACT ON EMPLOYERS/EMPLOYEES WHICH WAS NOT REFLECTED IN THE FORECAST.
- (7) INCREASE IN CHANGE OF DERIVATIVE CONTRACT IS MAINLY DUE TO ACTUAL INTEREST RATES REMAINING LOW AS COMPARED TO THE RATES FOR OUR INTEREST RATE SWAPS AND THIS CHANGE IS NOT FORECASTED EACH YEAR.
- (8) INCREASE IN PAYABLE AND ACCRUED EXPENSES IS MAINLY DUE TO THE TIMING OF THE CONSTRUCTION PAYMENTS FOR THE BOLAND/FITNESS RENOVATIONS.

**LUTHERAN RETIREMENT MINISTRIES  
OF ALAMANCE COUNTY, NORTH CAROLINA  
d/b/a  
TWIN LAKES COMMUNITY  
DISCLOSURE STATEMENT  
ATTACHMENT 4  
RESIDENCY CONTRACTS**



## RESIDENCY CONTRACT FOR LIVING UNIT

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

### **BACKGROUND**

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

### **AGREEMENT**

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

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

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

2. ADMISSION FEE.

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

3. CANCELLATION, TERMINATION AND RESCISSION PRIOR TO OCCUPANCY

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

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

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

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

- b. Cancellation Due to Injury, Death or Incapacity. If prior to the Initial Occupancy Date you die or become unable to live independently because of illness, injury or incapacity, this Contract is automatically canceled and you or your legal representative shall receive a refund of all amounts you have paid to us subject to the provisions of paragraph d of this Section.
- c. Termination by Retirement Community. We may terminate this Contract at any time before the Initial Occupancy Date if we determine, in our sole discretion, that one of the following events has occurred: a) you made a material

misrepresentation or omission in your admission application; b) you experienced a change in your health or financial condition such that you no longer satisfy our admissions criteria; or c) you fail to pay the Admission Fee in accordance with the Payment Schedule. If we terminate this Contract, we will refund all amounts you have paid to us, subject to the provisions of paragraph d of this Section.

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

#### 4. MONTHLY OCCUPANCY CHARGES.

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

The amount of your Occupancy Charge may change between the date of this contract and the date your first Occupancy Charge is due; in such event, we will

advise you in writing in advance of the change. It is our policy not to change the Occupancy Charge more than twice each calendar year, but we reserve the right to make more frequent changes should we deem it appropriate.

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

5. OCCUPANCY OF LIVING UNIT.

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



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



Such optional services may be expanded or reduced in our sole discretion. Optional services currently include:

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

7. MAINTENANCE OF LIVING UNIT.

a. Your Responsibilities. You agree:

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

b. Our Responsibilities. We agree:

- i. To comply with all building codes applicable to your Living Unit;
- ii. Except as stated above, to make all repairs and do whatever is necessary to maintain your Living Unit in a fit and habitable condition; and

- iii. To maintain in good and safe working order and, upon written notification from you of a need for repair, to repair promptly all electrical, plumbing, sanitary, heating, ventilating and other facilities and fixtures provided by us in your Living Unit.

8. RESIDENT ACCESS TO OTHER RETIREMENT COMMUNITY FACILITIES.

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

9. TERMINATION AFTER INITIAL OCCUPANCY DATE.

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

legal representative within thirty days of your death will so remove) all of your personal property from your Living Unit and you will vacate the Living Unit, leaving it in the same condition as on the Initial Occupancy Date, except for normal wear and tear.

- d. Our Right to Remove and Dispose of Your Personal Property. We may remove any personal property that you do not remove from your Living Unit by the end of the thirty-day notice period. We may, but are not obligated to, pack and store any items we choose, and you agree to pay the actual cost for such packing and storage. You also agree that we are not responsible for any damage that occurs to your personal property remaining in your Living Unit after you have vacated the Living Unit. If you do not pay the packing/storage fee and do not retrieve your personal property within three (3) months of your last day of occupancy, we may dispose of the personal property in any manner we deem appropriate, and we shall not be liable to you or your heirs for such personal property or any proceeds from the sale of such personal property.
  
- e. Payment of Admission Fee Refund upon Termination of this Contract. If this Contract is terminated within two and one-half years (that is, within 912 days) after the Initial Occupancy Date, you shall be entitled to receive a refund of a portion of your admission fee. No part of the amount you paid us to make special changes or improvements to your Living Unit, as described on Exhibit 1.3 or in any amendment hereto, is refundable.

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

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

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

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

Living Unit; and (iv) the amount of any financial assistance we have provided to you.

- i. Accrual Period. For purposes of calculating the refund payable to you under this provision of the Contract, the first day of your Accrual Period shall be the Initial Occupancy Date; the last day of your Accrual Period shall be the day on which you a) have ceased to be a resident of the Retirement Community in any level of care; b) have removed all of your personal property from the Living Unit (or from such other unit within the facilities of the Retirement Community as you occupied at the time you ceased to be a resident of the Retirement Community); and c) have delivered to us your keys to the Living Unit, thereby relinquishing your free access to the Living Unit. You and we recognize that the first thirty (30) days of your Accrual Period are subject to the provisions of the Section of this Contract entitled "Right to Rescind." Under no circumstances shall the accrual period exceed 912 days.
- ii. No Refund During Your Residency. No refund shall be paid when you continue to be a resident of the Retirement Community, whether in another unit or under a different level of care within the facilities of the Retirement Community.
- iii. No Interest on Refund. No interest shall be payable on the refund.
- iv. Timing of Payment of Refund. We will pay the refund amount to you within sixty (60) days after we collect a new Admission Fee for your Living Unit from a new resident or after you have ceased to be a resident of the Retirement Community, whichever shall later occur.

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

- a. Mediation. You and we agree that if you or your representative has a claim or dispute against us, you or your representative shall notify us in writing of the dispute and shall provide a description and factual details of the nature of the claim or dispute. You and we
  - i. May submit evidence or information in writing to a mediator, to be designated by the mutual agreement of you and us, in support of the claim or dispute and of any defense either of us may have to the claim. If you and we cannot agree on the designation of a mediator, each party shall select a mediator, and those two mediators shall then select a third

mediator who will mediate the dispute. This selection of a mediator shall be binding upon both of us;

- ii. Have the right to a hearing before the mediator, at which you and we may present evidence in support of or in defense of any such claim or dispute to the extent allowed by the mediator. The mediator will set the time and date of the hearing and assist each of us in an unbiased manner in attempting to reach an amicable settlement of the claim or dispute;
- iii. Agree that the mediation shall be scheduled at a time convenient for you and us and shall be held in Alamance County, North Carolina;
- iv. Agree that, if either of us refuses to negotiate or mediate in a good faith attempt to resolve the matter of concern, the mediator shall be required to note that fact in the mediator's conclusion to the mediation attempt;
- v. Agree that, in the event the parties are unable to reach an amicable settlement, we will then submit the dispute to a mandatory, binding arbitration consistent with the North Carolina Uniform Arbitration Act and the rules of the American Arbitration Association, as set forth below.

**b. ARBITRATION. You and we agree voluntarily to submit to binding arbitration any controversy, dispute or claim that remains unsettled after mediation in accordance with the following procedure:**

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

**The decision of the Arbitrator shall be final, shall not be appealable and shall not be stayed, and judgment upon such decision may be entered in any court of competent jurisdiction. Application may be made to such court for confirmation of such decision or a judicial acceptance thereof, or for an order of enforcement or other legal remedy which may be necessary to effectuate such decision. This clause goes to the very**

**essence of this stipulation. However, in the event the party against whom the decision is made shall appeal from any such decision or file or cause to be filed a complaint with any state court after the issuance of the arbitrator's findings, then the appellant or claimant agrees, without question, to pay and be responsible for paying any and all court costs, attorney fees, and any other cost incurred by the nonclaimant or appellee (party not initiating the Court action) in participating in such litigation.**

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

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

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

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

**11. REPRESENTATIONS AND FURTHER AGREEMENTS BY YOU.**

- a. Health and Financial Information Material Part of Contract. You acknowledge that the medical, personal, and financial information you submitted as part of your application with us is a material part of this Contract, and that we have relied upon that information in determining your ability to meet the financial obligations of residency in the Retirement Community.
- b. Prohibition against Medicaid Planning and Other Asset Protection Planning Strategies. We must protect ourselves and our residents against the risk to the financial strength of the Retirement Community that could be caused by a resident engaging in financial planning designed to protect that resident's financial resources against the cost of medical care for that resident or that resident's spouse ("Medicaid Planning"). Medicaid Planning includes, but is not limited to,

the making of gifts; the funding of trusts; the investment in or purchase of assets that are deemed not to count as resources for purposes of determining one's eligibility for government programs such as Medicaid; and engaging in other strategies designed to enable the resident to become eligible for financial assistance from government programs before the resident has exhausted the resident's resources in paying for the resident's normal living expenses and the resident's medical care. As a material and express condition of this Contract, you agree not to engage in Medicaid Planning without having first obtained the written consent of the Chief Executive Officer of Retirement Community. Furthermore, pursuant to Section 1396ra(c)(5)(B)(V) of Chapter 42 of the United States Code, a material and express condition of this Contract is your agreement not to seek assistance from Medicaid with the cost of your care until you have exhausted, through payment for your health, maintenance and support, the financial resources set forth on your application for admission to Twin Lakes Community.

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

- c. Obligation to Update Health and Financial Information. You agree to provide such additional health and financial information as we may request during the term of this Contract. You agree to notify us if you learn that you have a communicable disease. Accordingly, you also agree to authorize the release of all medical information to us at any time we request such information, and you have executed such an authorization coincident with the execution of this Contract. In addition, you agree to furnish a full and accurate financial statement of assets, liabilities, and income and shall authorize the release of all financial information of third parties to us at any time we may so request. You also authorize us to release such health and financial information to third parties (i) who provide financial assistance to you or (ii) to whom you have applied for assistance, including but not limited to, the Department of Social Services, the Social Security Administration, the Division of Medical Assistance, other organizations involved in the administration of Medicare and Medicaid, and health insurance companies. You also authorize us to communicate with such programs or companies and them with us concerning your application and eligibility. You have executed such an authorization coincident with the execution of this Contract.
- d. Medical Insurance. You agree to maintain Medicare Part A and Medicare Part B, or equivalent insurance coverage acceptable to us, with evidence of such coverage upon request.
- e. Emergency Transportation. In the case of an emergency, you authorize us to arrange for transportation by an emergency services provider that we choose in our discretion. You agree to pay the cost of the emergency services provider.
- f. Other Health Costs. You agree to pay the cost, if any, for services of consultants and other services and supplies not included in this Contract when expressly ordered by your physician or requested by you or your family. In the event of a

health emergency, you agree to pay for additional charges in excess of the monthly Occupancy Charge for special services or supplies that we, in our discretion, deem reasonable or necessary.

- g. Reasonable Care. We agree to exercise such reasonable care toward you as your known condition may require. However, we are in no sense an insurer of your safety or welfare and assume no liability for such.
- h. Move to Another Level of Care. We may effect your move to another living unit in Independent Living or another level of care within the facilities of the Retirement Community. The decision to effect such a move will be in our sole discretion and will be binding on you; the decision will be made, however, only after consulting with you, and when we deem it appropriate, with your family, physician, or designee.
- i. Valuables. Neither we nor our employees are responsible for any valuables or money in your possession. We accept full responsibility for valuables and money turned over to us for safekeeping.
- j. Rules and Regulations. You agree to abide by all rules and regulations in effect from time to time and applicable to residents of the Retirement Community.
- k. Tobacco Free Campus. Twin Lakes Community is a tobacco-free campus. The use of tobacco products is strictly prohibited on our campus, including within private residences on our campus. You agree to adhere to, and to ensure that any guests of yours adhere to, our tobacco-free policy, and to any modifications to the policy.
- l. Pets. You agree that, without our prior written consent, you will not keep or maintain either temporarily or permanently any dogs, cats or other animals or pets, except for fish or small birds in appropriate containers.
- m. Non-Assignment. Your rights and privileges under this Contract are personal to you and cannot be transferred or assigned to any other person voluntarily or by execution of law. No person other than you may occupy your Living Unit except with our prior written approval.
- n. Additional Obligations. In addition to the other obligations under this Contract, you agree:
  - i. To absolve and release us and our employees of any responsibility for any event, accident or deterioration of medical condition while you are away from the premises of the Retirement Community and not under the direct care and supervision of our staff.
  - ii. To pay and indemnify us for all costs we incur, including reasonable attorney's fees, if you fail to pay any amount due us under the terms of the Contract, or if you breach any other terms of this Contract.
  - iii. If you are injured by a third party, you agree that we shall be subrogated to your rights to recover from such third party the costs and expenses incurred by reason of such injuries, and you authorize us to take all



necessary steps to enforce the payment of such costs and expenses by the responsible third party.

- iv. You agree to pay or reimburse us for any loss or damage we suffer as a result of the negligence or misconduct of you or your guest or invitee. We assume no responsibility for any injury or illness you suffer as a result of the negligence or intentional misconduct of any third party.
- o. Nature of Your Rights. Your rights under this Contract are the rights and privileges herein expressly granted and do not include any proprietary interest or membership in the Retirement Community.
- p. Obligations Divisible. If a portion of this Contract shall be determined to be illegal or unenforceable or not in conformity with applicable laws and regulations, the remainder of this Contract shall continue in full force and effect.
- q. Disclosure Statement. You hereby acknowledge that you have received a copy of our current disclosure statement. In the event of any discrepancy between the language contained in this Contract and the language contained in the disclosure statement, the language of this Contract shall control. You further acknowledge that, prior to the execution of this Contract, you have transferred to us no money or other property except for your deposit money.
- r. Successors and Assigns. This Contract shall be binding upon, inure to the benefit of, and be enforceable by, Lutheran Retirement Ministries of Alamance County, North Carolina d/b/a Twin Lakes Community, its successors and assigns.
- s. Transfer to Another Level of Care. If you transfer to another level of care at the Retirement Community, you agree to enter into an addendum agreement at that time specific to the new level of care. The Addendum will contain terms and occupancy rates consistent with the terms and rates then offered by us to other residents for that level of care.
- t. Evaluation by a Physician. You agree to permit a physician selected by Retirement Community to evaluate you should we believe, in our sole discretion, that you may pose a threat to yourself or to the health, safety or welfare of our other residents or that you require care that we do not or cannot provide.
- u. Site Plans. All structures and improvements not constructed as of the date of this Contract but shown on a site plan or in advertising or promotional material for the Retirement Community are solely for the illustrative purposes of showing the proposed development of the Retirement Community, and we are under no obligation to you to complete such structures or improvements.
- v. Entire Contract. This Contract constitutes the entire agreement between you and us. We are not liable for or bound in any manner by any statements, representations or promises made by any person representing or purporting to represent us unless such statements, representations or promises are set forth in this Contract.
- w. Governing Law. This Contract shall be governed by and interpreted in accordance with the law of the State of North Carolina and any applicable federal laws.

- x. Amendments Only in Writing. This Contract may only be amended or changed in writing by all parties to the Contract and in accordance with any applicable laws governing the Contract. This Contract replaces any prior contracts between the parties.

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

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

J. Brent Conklin / CFO PAMELA S. FOX, PRESIDENT / CEO

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

RESIDENT

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

RESIDENT



**RESIDENCY CONTRACT FOR LIVING UNIT**

**50% Refundable Admission**

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

**BACKGROUND**

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

**AGREEMENT**

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

12. **DEFINITIONS.** The following definitions shall apply:

- a. “Admission Fee”: The up-front payment required for admission to Retirement Community. Your Admission Fee is \_\_\_\_\_ Thousand Dollars (\$\_\_\_\_\_).
- b. “Occupancy Charge”: The monthly fee payable to Retirement Community. The goods and services covered by the Occupancy Charge are outlined in Section 6.b, below. Your Occupancy Charge is \_\_\_\_\_ Dollars

(\$\_\_\_\_\_) per month plus \_\_\_\_\_ Dollars (\$\_\_\_\_\_) for each additional occupant.

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

13. ADMISSION FEE.

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

14. CANCELLATION, TERMINATION AND RESCISSION PRIOR TO OCCUPANCY

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

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

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

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

- b. Cancellation Due to Injury, Death or Incapacity. If prior to the Initial Occupancy Date you die or become unable to live independently because of illness, injury or

incapacity, this Contract is automatically canceled and you or your legal representative shall receive a refund of all amounts you have paid to us subject to the provisions of paragraph d of this Section.

- c. Termination by Retirement Community. We may terminate this Contract at any time before the Initial Occupancy Date if we determine, in our sole discretion, that one of the following events has occurred: a) you made a material misrepresentation or omission in your admission application; b) you experienced a change in your health or financial condition such that you no longer satisfy our admissions criteria; or c) you fail to pay the Admission Fee in accordance with the Payment Schedule. If we terminate this Contract, we will refund all amounts you have paid to us, subject to the provisions of paragraph d of this Section.
- d. Amount of Refund. The refund amount will be the amount you have paid us less the following: (i) the costs we specifically incurred at your request for special changes and improvements to your Living Unit and described on Exhibit 1.3 or in any amendment hereto; (ii) the monthly Occupancy Charge or other periodic charges applicable to the period of time since the Initial Occupancy Date; (iii) any other charges, including Occupancy Charges, actually incurred by you since the Initial Occupancy Date; and (iv) a service charge equal to two percent (2%) of your Admission Fee provided for herein.
- e. Timing of Payment of Refund. If this Contract is terminated under the provisions of this Section, we will pay the refund amount to which you are entitled within sixty (60) days after we obtain a new resident for your Living Unit and collect an Admission Fee from that new resident.
- f. No Accrual of Interest. No interest shall accrue or be payable on the refund to which you may be entitled under this Contract.

15. MONTHLY OCCUPANCY CHARGES.

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

include, but are not limited to, competitive market pressures such as employee wages and benefits, insurance costs and cost of capital; projected increases from vendors and other providers of goods and services; adjustments in government programs such as Medicare and Medicaid; additional resident service programs; repair and maintenance of facilities; and technological advances.

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

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

16. OCCUPANCY OF LIVING UNIT.

- a. Right to Occupy. You have the right to occupy the Living Unit identified in Section 1 of this Contract, and more specifically identified on attached Exhibit 3.1, from the Initial Occupancy Date until the right to occupy your Living Unit is terminated as herein provided. You agree that no one other than you will occupy your Living Unit without our advance written consent. You do not need to obtain our consent for an occasional overnight guest who stays one week or less with you. No one who resides with you, whether with or without our consent, shall have any rights under this Contract, or any claim for care or services from us.
- b. Joint Occupancy. If this Contract is entered into by two individuals for joint residency of a single living unit, each joint resident is jointly and severally liable

for the payment and performance of all obligations under this Contract. If one joint resident dies or abandons the Living Unit, the remaining resident shall continue to be obligated under this Contract, except that we will charge you the monthly Occupancy Fee for only one person.

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

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

- a. Physical Facilities. The Retirement Community consists of apartments, villas, and garden homes for Independent Living; apartments for Assisted Living; a Healthcare Facility; a Memory Care Facility; administrative and staff offices; recreational facilities; facilities for preparing and serving meals; and common activities facilities.

- b. Basic Services. The following basic services and expenses will be covered by your monthly Occupancy Charge:
- i. Insurance. We carry fire and extended coverage insurance on our buildings and liability coverage for the Retirement Community. You are required to secure and are responsible for the cost of property and casualty and liability insurance for your personal belongings and other personal property located at the Retirement Community. We do not carry insurance on your personal property.
  - ii. Utilities. We furnish and pay for the cost of heat and electricity, air conditioning, cable television service, internet service, water and sewer services, and trash collection. You are responsible for the cost of installation of telephone service and the monthly charge for that service.
  - iii. Fixtures. We furnish your home with window blinds, an electric range, a built-in microwave, a refrigerator, and a garbage disposal. Washing machines and clothes dryers are accessible to apartment units; washing machines, clothes dryers and dishwashers are standard in all other floor plans.
  - iv. General Maintenance of Common Areas and Grounds. We maintain all common areas and grounds.
  - v. Parking Spaces. You and your guests are entitled to the nonexclusive use of the parking areas designated on the Retirement Community premises for resident and visitor parking.
  - vi. Recreational, Social and Religious Activities. We provide recreational, physical, social, spiritual, educational and cultural activities as we determine in our discretion.
  - vii. Emergency Nursing Assistance. Our nursing staff is on call twenty-four hours a day for emergencies.
  - viii. Maintenance of Living Unit and Fixtures. We maintain the structural portion of your home and the fixtures described in Section 6.b.iii above. This maintenance does not include housekeeping or maintenance of your personal property.
  - ix. Transportation. We provide regularly scheduled group transportation to selected medical facilities, shopping malls and grocery stores. The schedule and locations may be adjusted, modified, and changed at our discretion.
  - x. Annual Cleaning. Our housekeeping staff will perform an annual cleaning of your home at no additional charge to you. Advance notice will be given for annual cleaning dates.
  - xi. Grace Days. We will use good faith efforts to make available each calendar year up to three days per independent living resident of temporary care in one of our facilities without additional occupancy charge to you. These grace days do not renew in the event of a long-term move to healthcare.



These grace days shall not be cumulative or transferable to another resident, whether such resident is a party to this or another Contract. Please note that fees for services (including, but not limited to, salon, therapy, transportation, and pharmacy) used during a stay in health care will not be waived.

- c. Optional Services. We may make certain services available to you to purchase at your option on a fee-for-service basis. Fees for such services will be payable either at the time the service is rendered or upon billing by us, as we deem appropriate. Such optional services may be expanded or reduced in our sole discretion. Optional services currently include:
- i. Meal Service. Meal service is available at the Pepper Tree Cafeteria on an à la carte basis. Meals are available at The Terrace Restaurant in the Boland Center as posted.
  - ii. Housekeeping. Housekeeping services are available at rates established by Retirement Community.
  - iii. Transportation. Limited personal transportation service is available.
  - iv. Nursing. Private duty personal services are available and are provided by certified nursing assistants.
  - v. Rehabilitation. Speech Therapy, Occupational Therapy and Physical Therapy services are available in the Coble Healthcare Facility.
  - vi. Salon Services. A salon is located in the Coble Healthcare Facility and is available for use by residents of the Retirement Community.

18. MAINTENANCE OF LIVING UNIT.

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

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

19. RESIDENT ACCESS TO OTHER RETIREMENT COMMUNITY FACILITIES.

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

20. TERMINATION AFTER INITIAL OCCUPANCY DATE.

- a. Termination by You after Initial Occupancy Date. After the Initial Occupancy Date you have the right to terminate this Contract at any time for any reason, by giving us at least thirty (30) days' written notice. In addition, this Contract will automatically terminate thirty (30) days after your death or abandonment of your Living Unit.
- b. Termination by Retirement Community After Initial Occupancy Date. After the Initial Occupancy Date we may terminate this Contract upon thirty (30) days' written notice to you for any of the following reasons: i) we determine, after consulting with a physician we select, that you pose a threat to yourself or to the health, safety or welfare of our other Residents; ii) you require care that we do not or cannot provide; iii) our Board of Directors determines, in its sole discretion, that you are not compatible with our other residents or that you are disruptive of the Retirement Community's environment; iv) you fail to pay the monthly Occupancy Charge for your Living Unit or charges for other services and facilities provided by us to you; v) you fail to comply with your commitment, under the terms of this Contract, not to shelter assets or otherwise arrange your financial affairs in a manner that would enable you to become eligible for a program or programs of public assistance such as Medicaid without having first obtained the

written consent of our Chief Executive Officer; or vi) you fail to comply with the terms of this Contract or with our published rules, regulations and policies as amended from time to time.

- c. Your Obligations upon Termination of this Contract. If this Contract terminates under this Section 9 of the Contract, you agree that, within thirty (30) days after written notice of termination, you will remove (or in the event of your death, your legal representative within thirty days of your death will so remove) all of your personal property from your Living Unit and you will vacate the Living Unit, leaving it in the same condition as on the Initial Occupancy Date, except for normal wear and tear.
- d. Our Right to Remove and Dispose of Your Personal Property. We may remove any personal property that you do not remove from your Living Unit by the end of the thirty-day notice period. We may, but are not obligated to, pack and store any items we choose, and you agree to pay the actual cost for such packing and storage. You also agree that we are not responsible for any damage that occurs to your personal property remaining in your Living Unit after you have vacated the Living Unit. If you do not pay the packing/storage fee and do not retrieve your personal property within three (3) months of your last day of occupancy, we may dispose of the personal property in any manner we deem appropriate, and we shall not be liable to you or your heirs for such personal property or any proceeds from the sale of such personal property.
- e. Payment of Admission Fee Refund upon Termination of this Contract. Upon termination of this Contract after the Initial Occupancy Date, you shall be entitled to receive a refund of a portion of your admission fee. No part of the amount you paid us to make special changes or improvements to your Living Unit, as described on Exhibit 1.3 or in any amendment hereto, is refundable.

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

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

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

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

- i. Accrual Period. For purposes of calculating the refund payable to you under this provision of the Contract, the first day of your Accrual Period shall be the Initial Occupancy Date; the last day of your Accrual Period shall be the day on which you a) have ceased to be a resident of the Retirement Community in any level of care; b) have removed all of your personal property from the Living Unit (or from such other unit within the facilities of the Retirement Community as you occupied at the time you ceased to be a resident of the Retirement Community); and c) have delivered to us your keys to the Living Unit, thereby relinquishing your free access to the Living Unit. You and we recognize that the first thirty (30) days of your Accrual Period are subject to the provisions of the Section of this Contract entitled "Right to Rescind." Under no circumstances shall the accrual period exceed 912 days.
- ii. No Refund During Your Residency. No refund of the Accrual Amount shall be paid when you continue to be a resident of the Retirement Community, whether in another unit or under a different level of care within the facilities of the Retirement Community.
- iii. No Interest on Refund. No interest shall be payable on the refund.
- iv. Timing of Payment of Refund. We will pay the refund amount to you within sixty (60) days after we collect a new Admission Fee for your Living Unit from a new resident or after you have ceased to be a resident of the Retirement Community, whichever shall later occur.

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

- a. Mediation. You and we agree that if you or your representative has a claim or dispute against us, you or your representative shall notify us in writing of the dispute and shall provide a description and factual details of the nature of the claim or dispute. You and we
  - i. May submit evidence or information in writing to a mediator, to be designated by the mutual agreement of you and us, in support of the claim

or dispute and of any defense either of us may have to the claim. If you and we cannot agree on the designation of a mediator, each party shall select a mediator, and those two mediators shall then select a third mediator who will mediate the dispute. This selection of a mediator shall be binding upon both of us;

- ii. Have the right to a hearing before the mediator, at which you and we may present evidence in support of or in defense of any such claim or dispute to the extent allowed by the mediator. The mediator will set the time and date of the hearing and assist each of us in an unbiased manner in attempting to reach an amicable settlement of the claim or dispute;
- iii. Agree that the mediation shall be scheduled at a time convenient for you and us and shall be held in Alamance County, North Carolina;
- iv. Agree that, if either of us refuses to negotiate or mediate in a good faith attempt to resolve the matter of concern, the mediator shall be required to note that fact in the mediator's conclusion to the mediation attempt;
- v. Agree that, in the event the parties are unable to reach an amicable settlement, we will then submit the dispute to a mandatory, binding arbitration consistent with the North Carolina Uniform Arbitration Act and the rules of the American Arbitration Association, as set forth below.

**b. ARBITRATION. You and we agree voluntarily to submit to binding arbitration any controversy, dispute or claim that remains unsettled after mediation in accordance with the following procedure:**

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

**The decision of the Arbitrator shall be final, shall not be appealable and shall not be stayed, and judgment upon such decision may be entered in any court of competent jurisdiction. Application may be made to such**

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

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

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

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

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

**22. REPRESENTATIONS AND FURTHER AGREEMENTS BY YOU.**

- a. Health and Financial Information Material Part of Contract. You acknowledge that the medical, personal, and financial information you submitted as part of your application with us is a material part of this Contract, and that we have relied upon that information in determining your ability to meet the financial obligations of residency in the Retirement Community.
- b. Prohibition against Medicaid Planning and Other Asset Protection Planning Strategies. We must protect ourselves and our residents against the risk to the financial strength of the Retirement Community that could be caused by a resident

engaging in financial planning designed to protect that resident's financial resources against the cost of medical care for that resident or that resident's spouse ("Medicaid Planning"). Medicaid Planning includes, but is not limited to, the making of gifts; the funding of trusts; the investment in or purchase of assets that are deemed not to count as resources for purposes of determining one's eligibility for government programs such as Medicaid; and engaging in other strategies designed to enable the resident to become eligible for financial assistance from government programs before the resident has exhausted the resident's resources in paying for the resident's normal living expenses and the resident's medical care. As a material and express condition of this Contract, you agree not to engage in Medicaid Planning without having first obtained the written consent of the Chief Executive Officer of Retirement Community. Furthermore, pursuant to Section 1396ra(c)(5)(B)(V) of Chapter 42 of the United States Code, a material and express condition of this Contract is your agreement not to seek assistance from Medicaid with the cost of your care until you have exhausted, through payment for your health, maintenance and support, the financial resources set forth on your application for admission to Twin Lakes Community.

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

- c. Obligation to Update Health and Financial Information. You agree to provide such additional health and financial information as we may request during the term of this Contract. You agree to notify us if you learn that you have a communicable disease. Accordingly, you also agree to authorize the release of all medical information to us at any time we request such information, and you have executed such an authorization coincident with the execution of this Contract. In addition, you agree to furnish a full and accurate financial statement of assets, liabilities, and income and shall authorize the release of all financial information of third parties to us at any time we may so request. You also authorize us to release such health and financial information to third parties (i) who provide financial assistance to you or (ii) to whom you have applied for assistance, including but not limited to, the Department of Social Services, the Social Security Administration, the Division of Medical Assistance, other organizations involved in the administration of Medicare and Medicaid, and health insurance companies. You also authorize us to communicate with such programs or companies and them with us concerning your application and eligibility. You have executed such an authorization coincident with the execution of this Contract.
- d. Medical Insurance. You agree to maintain Medicare Part A and Medicare Part B, or equivalent insurance coverage acceptable to us, with evidence of such coverage upon request.

- e. Emergency Transportation. In the case of an emergency, you authorize us to arrange for transportation by an emergency services provider that we choose in our discretion. You agree to pay the cost of the emergency services provider.
- f. Other Health Costs. You agree to pay the cost, if any, for services of consultants and other services and supplies not included in this Contract when expressly ordered by your physician or requested by you or your family. In the event of a health emergency, you agree to pay for additional charges in excess of the monthly Occupancy Charge for special services or supplies that we, in our discretion, deem reasonable or necessary.
- g. Reasonable Care. We agree to exercise such reasonable care toward you as your known condition may require. However, we are in no sense an insurer of your safety or welfare and assume no liability for such.
- h. Move to Another Level of Care. We may effect your move to another living unit in Independent Living or another level of care within the facilities of the Retirement Community. The decision to effect such a move will be in our sole discretion and will be binding on you; the decision will be made, however, only after consulting with you, and when we deem it appropriate, with your family, physician, or designee.
- i. Valuables. Neither we nor our employees are responsible for any valuables or money in your possession. We accept full responsibility for valuables and money turned over to us for safekeeping.
- j. Rules and Regulations. You agree to abide by all rules and regulations in effect from time to time and applicable to residents of the Retirement Community.
- k. Tobacco Free Campus. Twin Lakes Community is a tobacco-free campus. The use of tobacco products is strictly prohibited on our campus, including within private residences on our campus. You agree to adhere to, and to ensure that any guests of yours adhere to, our tobacco-free policy, and to any modifications to the policy.
- l. Pets. You agree that, without our prior written consent, you will not keep or maintain either temporarily or permanently any dogs, cats or other animals or pets, except for fish or small birds in appropriate containers.
- m. Non-Assignment. Your rights and privileges under this Contract are personal to you and cannot be transferred or assigned to any other person voluntarily or by execution of law. No person other than you may occupy your Living Unit except with our prior written approval.
- n. Additional Obligations. In addition to the other obligations under this Contract, you agree:
  - i. To absolve and release us and our employees of any responsibility for any event, accident or deterioration of medical condition while you are away from the premises of the Retirement Community and not under the direct care and supervision of our staff.



- ii. To pay and indemnify us for all costs we incur, including reasonable attorney's fees, if you fail to pay any amount due us under the terms of the Contract, or if you breach any other terms of this Contract.
- iii. If you are injured by a third party, you agree that we shall be subrogated to your rights to recover from such third party the costs and expenses incurred by reason of such injuries, and you authorize us to take all necessary steps to enforce the payment of such costs and expenses by the responsible third party.
- iv. You agree to pay or reimburse us for any loss or damage we suffer as a result of the negligence or misconduct of you or your guest or invitee. We assume no responsibility for any injury or illness you suffer as a result of the negligence or intentional misconduct of any third party.
- o. Nature of Your Rights. Your rights under this Contract are the rights and privileges herein expressly granted and do not include any proprietary interest membership in the Retirement Community.
- p. Obligations Divisible. If a portion of this Contract shall be determined to be illegal or unenforceable or not in conformity with applicable laws and regulations, the remainder of this Contract shall continue in full force and effect.
- q. Disclosure Statement. You hereby acknowledge that you have received a copy of our current disclosure statement. In the event of any discrepancy between the language contained in this Contract and the language contained in the disclosure statement, the language of this Contract shall control. You further acknowledge that, prior to the execution of this Contract, you have transferred to us no money or other property except for your deposit money.
- r. Successors and Assigns. This Contract shall be binding upon, inure to the benefit of, and be enforceable by, Lutheran Retirement Ministries of Alamance County, North Carolina d/b/a Twin Lakes Community, its successors and assigns.
- s. Transfer to Another Level of Care. If you transfer to another level of care at the Retirement Community, you agree to enter into an addendum agreement at that time specific to the new level of care. The Addendum will contain terms and occupancy rates consistent with the terms and rates then offered by us to other residents for that level of care.
- t. Evaluation by a Physician. You agree to permit a physician selected by Retirement Community to evaluate you should we believe, in our sole discretion, that you may pose a threat to yourself or to the health, safety or welfare of our other residents or that you require care that we do not or cannot provide.
- u. Site Plans. All structures and improvements not constructed as of the date of this Contract but shown on a site plan or in advertising or promotional material for the Retirement Community are solely for the illustrative purposes of showing the proposed development of the Retirement Community, and we are under no obligation to you to complete such structures or improvements.

- v. Entire Contract. This Contract constitutes the entire agreement between you and us. We are not liable for or bound in any manner by any statements, representations or promises made by any person representing or purporting to represent us unless such statements, representations or promises are set forth in this Contract.
- w. Governing Law. This Contract shall be governed by and interpreted in accordance with the law of the State of North Carolina and any applicable federal laws.
- x. Amendments Only in Writing. This Contract may only be amended or changed in writing by all parties to the Contract and in accordance with any applicable laws governing the Contract. This Contract replaces any prior contracts between the parties.

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

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

PAMELA S. FOX, PRESIDENT / CEO

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

RESIDENT

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

RESIDENT

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

**d/b/a**

**TWIN LAKES COMMUNITY**

**DISCLOSURE STATEMENT**

**ATTACHMENT 5**

**INTERIM FINANCIAL STATEMENT**

## Statement of Operations

Twin Lakes Community (TL)

12/1/20 to 12/31/20

Account	Current Period Actual	Current Period Budget	Current Period Variance	YTD Actual	YTD Budget	YTD Variance	2019 YTD
<b>REVENUE</b>							
NURSING	769,039	858,733	(89,695)	2,303,241	2,576,200	(272,959)	2,541,816
MEMORY CARE	249,256	266,150	(16,894)	760,306	798,450	(38,144)	866,246
ASSISTED LIVING	148,916	168,833	(19,918)	446,652	506,500	(59,848)	525,260
HOME CARE AGENCY	33,125	56,167	(23,042)	98,682	168,500	(69,818)	182,978
INDEPENDENT LIVING	1,132,572	1,078,667	53,905	3,375,566	3,236,000	139,566	2,915,319
ANCILLARIES	93,926	123,392	(29,465)	293,388	370,175	(76,787)	359,218
MEALS	15,444	31,483	(16,040)	49,080	94,450	(45,370)	110,822
INVESTMENT INCOME	20,137	39,583	(19,447)	50,157	118,750	(68,593)	113,614
OTHER	77,151	45,742	31,410	160,511	137,225	23,286	179,151
CONTRACTUAL ADJUSTMENTS	(84,182)	(215,117)	130,935	(127,154)	(645,350)	518,196	(730,351)
<b>TOTAL REVENUE</b>	<b>2,455,384</b>	<b>2,453,633</b>	<b>1,750</b>	<b>7,410,428</b>	<b>7,360,900</b>	<b>49,529</b>	<b>7,064,073</b>
<b>EXPENSES</b>							
NURSING SALARIES	546,719	500,475	46,244	1,603,408	1,501,425	101,983	1,497,990
REGULAR SALARIES	631,189	621,192	9,998	1,829,344	1,863,575	(34,231)	1,801,020
THERAPIST & CONTRACT	70,952	88,100	(17,148)	237,666	264,300	(26,634)	278,904
BENEFITS	227,421	280,808	(53,387)	674,045	842,425	(168,380)	786,972
SUPPLIES	254,867	186,125	68,742	697,458	558,375	139,083	532,425
FOOD	62,585	90,592	(28,007)	189,858	271,775	(81,917)	255,128
EDUCATION/TRAVEL	246	9,742	(9,496)	4,530	29,225	(24,695)	12,756
MAINTENANCE REPAIR/CONTRACT	24,286	38,517	(14,230)	73,131	115,550	(42,419)	126,556
UTILITIES	152,507	134,417	18,090	390,289	403,250	(12,961)	383,147
INSURANCE	34,833	34,833	(0)	104,499	104,500	(1)	89,625
LEGAL/ACCOUNTING	20,780	10,792	9,988	51,616	32,375	19,241	69,009
INTEREST	45,661	216,667	(171,006)	108,450	650,000	(541,550)	156,741
BOND PRINCIPAL	75,000	72,917	2,083	225,000	218,750	6,250	382,800
OTHER EXPENSES	76,064	77,558	(1,494)	196,549	232,675	(36,126)	190,692
CONTRIBUTIONS	35,897	5,083	30,814	35,997	15,250	20,747	14,000
PROPERTY TAX	0	958	(958)	0	2,875	(2,875)	1,864
CAPITAL EXPENDITURES	36,962	37,392	(429)	81,303	112,175	(30,871)	31,208
<b>TOTAL EXPENSES</b>	<b>2,295,969</b>	<b>2,406,167</b>	<b>(110,197)</b>	<b>6,503,143</b>	<b>7,218,500</b>	<b>(715,357)</b>	<b>6,610,837</b>
<b>NET INCOME(LOSS)</b>	<b>159,414</b>	<b>47,467</b>	<b>111,948</b>	<b>907,286</b>	<b>142,400</b>	<b>764,886</b>	<b>453,235</b>
Admission Fees Earned	<b>Full Accrual Basis Add/(Less):</b>			1,000,000			1,000,000
Bond Principal				225,000			382,800
Equipment Purchases				81,303			31,208
Investments Market Value				820,341			323,413
Restricted Donations Received				10,500			0
Depreciation				(1,600,000)			(1,600,000)
Health Insurance Claims				(65,866)			(64,835)
Pledges Payable				(45,000)			(50,000)
Transfer from Resident Assistance				(15,000)			(15,000)
<b>Operating Income - Full Accrual Basis</b>				<b>1,318,564</b>			<b>460,821</b>

***Balance Sheet***  
***As Of 12/31/2020***  
Twin Lakes Community (TL)

<b>ASSETS</b>	<b>Dec-20</b>	<b>Dec-19</b>
<b>CURRENT ASSETS</b>		
CASH AND INVESTMENTS - Unrestricted	25,335,080	21,415,048
CASH AND INVESTMENTS - Restricted	22,667,659	50,236,551
RESIDENT RECEIVABLES	1,419,103	1,197,499
OTHER RECEIVABLES	611,129	255,358
INVENTORY	349,265	242,224
PREPAID EXPENSES	105,086	62,753
<b>TOTAL CURRENT ASSETS</b>	<b>50,487,321</b>	<b>73,409,432</b>
<b>NON-CURRENT ASSETS</b>		
FIXED ASSETS	135,084,125	95,274,712
OTHER NONCURRENT ASSETS	1,039,879	1,165,614
<b>TOTAL NON-CURRENT ASSETS</b>	<b>136,124,004</b>	<b>96,440,327</b>
<b>TOTAL ASSETS</b>	<b>186,611,324</b>	<b>169,849,759</b>

<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
ACCOUNTS PAYABLE & ACCRUALS	2,954,262	2,465,112
ACCRUED DERIVATIVE LIABILITY	1,811,365	918,504
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,765,627</b>	<b>3,383,616</b>
<b>LONG TERM LIABILITIES</b>		
BONDS PAYABLE	65,767,375	66,013,257
OTHER LONG TERM LIABILITIES	67,415,744	53,338,226
<b>TOTAL LONG TERM LIABILITIES</b>	<b>133,183,119</b>	<b>119,351,483</b>
<b>TOTAL LIABILITIES</b>	<b>137,948,746</b>	<b>122,735,098</b>
<b>FUND BALANCE</b>		
TOTAL FUND BALANCE	48,662,578	47,114,660
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>186,611,324</b>	<b>169,849,759</b>

**Lutheran Retirement Ministries of Alamance County, NC**  
**Cash Flow Statement**  
**For Three Months Ended December 31, 2020**

	2020	2019
<b>Operating Cash Flows</b>		
Residents & 3 <sup>rd</sup> Parties Received	7,089,608	6,699,140
Investment income received	929,368	461,981
Donations received	308,577	69,281
Cash paid to suppliers and employees	(7,277,886)	(9,107,102)
Interest paid and related fees	(108,450)	(156,741)
<b>Net Cash Provided/(Used) by Operating Activities</b>	<b>941,217</b>	<b>(2,033,440)</b>

<b>Investing Cash Flows</b>		
Net Purchase of Marketable Securities	(893,429)	(410,780)
Acquisition of property and equipment	(11,502,233)	(4,178,581)
Bond Issuance Cost	-	(1,072,549)
<b>Net Cash Used in Investing Activities</b>	<b>(12,395,662)</b>	<b>(5,661,910)</b>

<b>Financing Cash Flows</b>		
Bond Proceeds	-	49,313,257
Admission Fees Received/Refunded	2,183,580	715,967
<b>Net Cash Provided by Financing Activities</b>	<b>2,183,580</b>	<b>50,029,224</b>

Net (decrease)/increase in Cash and Cash Equivalents	(9,270,866)	42,333,873
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Cash and Cash Equivalents - Oct 1st	43,142,170	15,369,779
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<b>Cash and Cash Equivalents - Current</b>	<b>33,871,304</b>	<b>57,703,652</b>
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<b>Investments - Marketable Securities</b>		
Investment-Operating Reserve	7,762,446	7,410,990
Investment-Debt Service	4,108,303	3,920,584
Investment-Capital Reserve	3,081,027	2,939,785
Unrecorded Appreciation	(820,341)	(323,413)
<b>Cash and Investments - Balance Sheet</b>	<b>48,002,738</b>	<b>71,651,599</b>