



**700 South Holden Road  
Greensboro, North Carolina 27407  
(336) 299-0031**

## **DISCLOSURE STATEMENT**

**WhiteStone: A Masonic and Eastern Star Community must deliver a Disclosure Statement to a prospective resident prior to or at the time a prospective resident executes a Residency Agreement to provide continuing care, or prior to or at the time a prospective resident transfers any money or other property to WhiteStone, whichever occurs first.**

**WhiteStone: A Masonic and Eastern Star Community, like all other continuing care retirement communities in the State of North Carolina, is subject to the Continuing Care Retirement Communities Act. This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.**

**December 7, 2021**

**Unless earlier revised, WhiteStone intends  
for this Disclosure Statement to remain effective until November 27, 2022**

**EQUAL HOUSING OPPORTUNITY**

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## **INTRODUCTION**

WhiteStone: A Masonic and Eastern Star Community, formerly known as The Masonic and Eastern Star Home (the "Community") brings to residents of North Carolina area, who are age 60 and over, a way of living known as "continuing care." This concept offers seniors a life style designed to meet their unique needs while allowing them the freedom to pursue their personal interests. Continuing care senior living communities, such as the Community, encompass these important components: a private residence, a wide array of personal services, and the security of care in the on-site health center.

The Community is owned by The Masonic and Eastern Star Home of North Carolina, Incorporated ("we," "us," or "our"), a North Carolina not-for-profit corporation (exempt from the payment of United States Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code). Our business address is 700 South Holden Road, Greensboro, NC 27407.

We are committed to providing a quality senior living community that is fiscally sound and genuinely responsive to resident needs. We are affiliated with The Grand Lodge of Ancient Free and Accepted Masons of North Carolina ("The Grand Lodge") and The Grand Chapter Order of The Eastern Star of North Carolina ("The Grand Chapter"). Of the 20 members who make up the Board of Directors, The Grand Lodge is responsible for 12 directors, and The Grand Chapter is responsible for 8 directors. Neither The Grand Lodge nor The Grand Chapter is responsible for our financial or contractual obligations and shall accept no responsibility for obligation unless expressly having done so. Our endowment and total assets are used to subsidize any deficits. We do not have any religious affiliation.

One of the purposes of this Disclosure Statement is to explain to prospective residents, their families, and their advisors who and what is involved in the operation of the Community. This Disclosure Statement was prepared on the basis of information available at the time of its publication and assumptions, which were believed to be realistic as of that date. Such information and assumptions are, of course, subject to change and, in particular, are significantly affected by changes in inflation and interest rates.

Since non-technical language has been used in this Disclosure Statement, the text of this booklet and the language of the Residency Agreement signed by a resident may not be the same. Although this Disclosure Statement details the provisions of the Residency Agreement, the Residency Agreement serves as the sole binding contract between the resident and us.

**We are pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the Nation. We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, handicap, or national origin.**

## BOARD OF DIRECTORS

All of the members of the Board of Directors are experienced in their own particular fields, such as law, banking, medical, and entrepreneurship, not in the operation or management of communities like WhiteStone. We feel the expertise of many in their chosen field provides the background for reliable, dependable, and solid decisions regarding our residents and facilities. The names and business addresses of the members of the Board of Directors are listed below:

### Board of Directors – With Voting Rights (June 2020)

#### Masonic Board Members

|      |                           |  |
|------|---------------------------|--|
| 2023 | Gene Jernigan<br>Chairman | 283 Eugene Jernigan Rd<br>Dunn, NC 28334<br>P: 910-892-3723 W: 910-892-3107<br>Email: <a href="mailto:genejernigan@embarqmail.com">genejernigan@embarqmail.com</a> |
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None of the Officers, Directors, or management staff of WhiteStone has any equity, beneficial, or financial interest in WhiteStone. There has been no conviction or charge of a felony on any Officer, Director, or management staff of WhiteStone. There is no matter, in which any person who is an Officer, Director, or management staff: (i) has been convicted of a felony or pleaded *nolo contendere* to a felony charge or has been held liable or enjoined in a civil action by final judgment, 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, if the order or action arose out of or related to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for aged, or facility subject to Article 64 of the North Carolina General Statutes, or a similar law in another state.

No Officer, Director or management staff has a 10% or greater interest in any professional service firm, association, trust, partnership, or corporation that currently provides any goods, leases, or services of an aggregate value of five hundred dollars (\$500.00) to Whitestone or the residents of Whitestone, nor does any professional service firm, association, trust, partnership, or corporation that currently provides any goods, leases, or services of an aggregate value of five hundred dollars (\$500.00) to Whitestone have a 10% or greater interest in any Officer, Director or management staff.

## **EXECUTIVE DIRECTOR**

Mark Lewis became the on-site Executive Director of WhiteStone in March of 2018. Mr. Lewis has a Bachelor of Arts degree from the University of Findlay and holds a Nursing Home Administrator License from the State of Ohio. Mr. Lewis came to WhiteStone having worked in long term care management since 1996 and joined Life Care Services in 2018. Pursuant to the management agreement for WhiteStone, Mr. Lewis is an employee of Life Care Services LLC.

The Executive Director does not have a 10% or greater interest in any professional service firm, association, trust, partnership, or corporation that currently provides any goods, leases, or services of an aggregate value of five hundred dollars (\$500.00) to Whitestone or the residents of Whitestone, nor does any professional service firm, association, trust, partnership, or corporation that currently provides any goods, leases, or services of an aggregate value of five hundred dollars (\$500.00) to Whitestone have a 10% or greater interest in the Executive Director.

## **LIFE CARE SERVICES LLC**

The Provider has retained Life Care Services LLC ("Life Care Services") to manage the Community. As the nation's second largest operator of senior living communities, Life Care Services serves more than 40,000 seniors in more than 140 communities (see Exhibit A). With nearly 50 years of service, Life Care Services has developed expertise in nearly every facet of senior living management. For more information, visit Life Care Services' website: <https://www.senior-living-management.com/>.

Principal officers of Life Care Services include Joel Nelson, Diane Bridgewater, Rick Exline, Jason Victor, and Jill Sorenson.

Joel Nelson is President and Chief Executive Officer of Life Care Services. He is responsible for executing the business strategy across all business lines in the LCS Family of Companies. He provides leadership and direction for business growth, service excellence, and enhancing the company's stability and value among financial partners, property owners, and other stakeholders in the senior living field. Joel joined Life Care Services in 1986 and has held several executive roles. He is responsible for the oversight of serving more than 40,000 seniors in more than 140 communities. Joel serves on the board of managers for Life Care Companies, on the board of directors for LCS Holdings, and is a member of the Life Care Companies audit committee. He also serves on the Hexagon (insurance captive) board of directors and is a trustee for the company's 401(k) benefits program. Outside of the organization, Joel serves as co-chair of Argentum's public policy committee and sits on the National Investment Center (NIC) operator advisory board. He is past chair and current board member of ChildServe, Inc. and serves on the health services advisory board at Simpson College, Indianola, Iowa. Joel holds a bachelor's degree in business management and health care administration from Simpson College.

Diane Bridgewater is Executive Vice President and Secretary for Life Care Services. As a high-energy, results-driving executive, Diane directs all financial aspects and operating infrastructure to ensure corporate, field and community team members have the resources necessary to provide exceptional customer satisfaction to residents. She is responsible for directing all financial and business operations in addition to overseeing the company's insurance business line, information technology, compliance, regulatory and legal matters. In her executive leadership role, Diane helps to drive strategy development and execution resulting in strong financial performance and growth. She serves on the board of managers for Life Care Companies LLC; board of directors for LCS Holdings, Inc.; audit committee for Life Care Companies LLC; 401K administrative committee, investment committee and enterprise risk management committee. Outside the organization, Diane is a member of the Argentum – CFO Roundtable. In addition, she sits on Casey's General Stores board, audit committee and compensation committee. Diane is also a member of the board and audit committee at Guide One Insurance. She holds bachelor's degrees in accounting and French from the University of Northern Iowa.

Serving as Executive Vice President/Senior Managing Director of Life Plan Communities, Rick Exline leads a team of highly skilled professionals dedicated to elevating senior living experience. With over four decades of knowledge and expertise, Rick oversees the company's Life Plan Community management services, national marketing and sales, and the health care group.

Collaborating with the leadership team, Rick identifies growth strategies that maximize market opportunities for single site, affiliated, and third-party managed communities. With a precise focus on performance excellence, Rick's team developed and launched the next generation opportunity platform for third-party managed Life Plan Communities. This innovation transformed the regional operations support model by relocating regional and corporate support staff. He serves on the board of managers for Life Care Companies LLC; the board of directors for LCS Holdings, Inc.; and the executive leadership and senior living management teams. Rick is also a trustee for the company's 401(k) benefits program. Outside the organization, Rick serves on the Simpson College board of trustees and is a board member for Above & Beyond Cancer. He holds dual bachelor's degrees in business administration and health care leadership.

Jason Victor is Senior Vice President, Controller and Treasurer of Life Care Services. In this role, he provides oversight and direction for the organization's financial matters, ensuring its consistent and efficient fiscal performance. Jason has responsibility for the organization's Corporate Accounting, Corporate Payroll, Community Payroll, Treasury and Tax departments. He oversees all aspects of general accounting, cash management, billing and receivables, accounts payable, payroll, consolidations, and financial reporting. In addition, Jason provides oversight and guidance related to audits, internal controls, technical accounting, tax, and financial management systems. Also, he serves on Hexagon (insurance captive) board of directors and is a trustee for the company's frozen ESOP. Jason holds a bachelor's degree in accounting and is a Certified Public Accountant with an active license in the State of Iowa. Jason began his career in 1991 with Ernst & Young in Des Moines, and later worked 10 years for a Fortune 500 organization. He joined Life Care Services in 2007.

As the Senior Vice President and Senior Director of Life Plan Communities for Life Care Services, Jill Sorenson is dedicated to providing innovative strategies to achieve performance excellence at Life Plan Communities. Jill joined Life Care Services in 1982 and has held several executive roles. In October 2019, Jill assumed oversight over the Healthpeak portfolio and moved from San Diego to St. Petersburg, FL. In this role, Jill is overseeing the operations and marketing for 13 for-profit Life Plan Communities owned by Healthpeak, a healthcare REIT. The 13 Life Plan Communities are located in Florida (9), Texas (1), Alabama (1), Michigan (1) and Pennsylvania (1). In addition, she continues to provide operational oversight over a Life Plan Community in Cupertino, CA. Jill holds a master's degree and a bachelor's degree in business administration. She also served as a CARF/CCAC site evaluator from 2000-2007. Jill has presented at various national and state industry conferences on a variety of topics affecting the senior living industry.

Management of the Community is performed by Life Care Services under contract with us. Life Care Services' responsibilities include: recruiting and employing the executive director; supervising the licensing, equipping, and staffing of the Community; preparing annual budgets; establishing and operating a system of financial controls for the Community, including comparative analyses with other facilities; and overseeing the food service and quality accommodations provided by the Community. The cost of these services cannot presently be estimated.

Life Care Services is not financially responsible for our contractual obligations or other obligations. The Board of Directors retains the ultimate responsibility for hiring managers and

monitoring the operating costs, wages, salaries, expenses, fees, and overall fiscal viability of the Community.

Life Care Services does not have a 10% or greater interest in any professional service firm, association, trust, partnership, or corporation that currently provides any goods, leases, or services of an aggregate value of five hundred dollars (\$500.00) to Whitestone or the residents of Whitestone, nor does any professional service firm, association, trust, partnership, or corporation that currently provides any goods, leases, or services of an aggregate value of five hundred dollars (\$500.00) to Whitestone have a 10% or greater interest in Life Care Services.

No managing member of Life Care Services (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, if the order or action arose out of or related to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for aged, or facility subject to Article 64 of the North Carolina General Statutes, or a similar law in another state.

None of the officers or management staff of Life Care Services has any equity, beneficial, or financial interest in WhiteStone. There has been no conviction or charge of a felony on any officer or management staff of Life Care Services. There is no matter, in which any person who is an officer or manager, has been convicted of a felony or pleaded *nolo contendere* to a felony charge or has been held liable or enjoined in a civil action by final judgment, or is subject to a currently effective injunctive or restrictive court order. Nor, who within the past five years, has had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department.

## **WHITESTONE**

Established in 1912, the Community was the first Masonic Fraternal Home in the United States created for the sole purpose of caring for seniors. It is also the oldest senior living home in the State of North Carolina.

Located in the heart of Greensboro, North Carolina, the Community is situated on 42 acres of land and has been in continuous operation for 90 years. Over 1500 Sisters and Brothers of the Fraternities have received care at the Community since November 15, 1913, when the first two residents (a husband and wife) were admitted.

On April 1, 2008, the Community officially changed its name from "Masonic and Eastern Star Home of North Carolina" to "WhiteStone: A Masonic and Eastern Star Community." The name reflects the Community's rich history as it is named after its first Administrator, Mr. White, and its first residents in 1913, Mr. and Mrs. Stone. The corporate entity name of Masonic and Eastern Star Home of North Carolina, Inc. has not changed. The Community currently has three residential buildings, administrative offices, a kitchen and dining room complex (designed to serve the residential and independent apartment residents), and a chapel. The Health Center was built in 1999, with 100 licensed beds (of which 68 beds are dually certified for Medicare and Medicaid, and 12 beds are certified assisted living for memory care), a kitchen, two separate dining areas for residents, physical therapy room, therapy pool, fitness room, meeting rooms, and administrative offices. There are also 16 residential apartments on campus and adjacent to the main complex, as well as 54 independent houses. The Community also has a Home Care license and provides supportive services to residents who need assistance with activities of daily living.

The Community's operating budget is now approximately \$14 million dollars per year. Financial support comes from private pay residents, Medicare, Medicaid, for some residents a percentage of their monthly income, our endowment, legacies, memorials, and donations from the Masonic Lodges and Eastern Star Chapters across the state. The income the Community receives from the Masonic and Eastern Star members, which is substantial, is true charity and goodwill, since the membership has never been assessed for the maintenance of the Community.

As of May 23, 2021, there are 170 residents in the residential living/independent living areas of the Community, 12 assisted living residents, and 39 residents in the nursing facility.

## **THE PROPOSAL**

1. Criteria for Resident Acceptance. Residency Agreements are subject to acceptance by us. At the time of executing a Residency Agreement, the prospective resident must be 60 years of age or older, capable of living in a residence (with or without reasonable accommodation or reasonable modification), and have sufficient financial resources to pay the Entrance Fee, Monthly Fees and any extra charges incurred as defined in the Residency Agreement. A copy of the Residency Policy is available for review in the Community's Marketing Office.

Financial evaluation is primarily dependent upon two factors (1) net worth and average monthly income. Generally, a prospective resident should have a minimum net worth equal to two (2) times the amount of the Entrance Fee (prior to payment of the Entrance Fee). Generally, a prospective resident should have a minimum monthly income range of one and one-half (1½) two (2) times the Monthly Fee (including second person fees when applicable) in effect at the time of residency. The stability and certainty of continued income will also be a factor in the evaluation process.

An inquiry will be made of all prospective residents regarding the prospective resident's ability to live in a residence, with or without reasonable accommodation or reasonable modification. To determine whether a prospective resident meets the health guidelines, the following information will be gathered: (1) insurance and health information will be obtained on a Confidential Data Application and Resident Health Information Form – to be completed by the prospective resident; (2) a Memory Health Assessment will be administered by the Community; and (3) a Health Information Form will be completed by the prospective resident's physician.

If the prospective resident meets the criteria for residency, we will execute the Residency Agreement. If the prospective resident does not meet the criteria for residency, then we will issue written notice of non-acceptance and issue a refund of any Entrance Fee payment pursuant to Paragraph 3.A below.

2. Entrance Fee. Payment of an Entrance Fee provides a resident with the lifetime use of a residence and the services and amenities available at the Community. At the time the resident makes application for residency at the Community, the resident will sign a Residency Agreement to reserve the residence selected and will pay an Entrance Fee deposit to us. The balance of the Entrance Fee will be paid upon the earlier of (i) occupancy or (ii) 90 days after the Residency Agreement is executed. For residents who enter a Residency Agreement for Expansion Residences, the balance of the Entrance Fee shall be paid on the earlier of (i) the date the resident assumes occupancy at the Community or (ii) within thirty (30) days from the date the resident is notified that the expansion residence is ready for occupancy.

The current Entrance Fee amounts (and five year historical Entrance Fees) are included in tables at the end of the main body of this Disclosure Statement.

The Community currently offers three forms of Residency Agreements for existing residences: a 90% Return-of-Capital™ Plan, a 50% Return-of-Capital™ Plan, and a Traditional Plan (See Exhibits 6 through 8 of this Disclosure Statement). The difference between the 90% Return-of-Capital™, the 50% Return-of-Capital™, and the Traditional Plans is the amount of the Entrance Fee paid upon residency, and the amount of the repayment a resident (or resident's estate) is entitled to after a resident assumes occupancy at the Community as described in Section 3.E below.

During the expansion process (discussed in the section below entitled “Facility Expansion and Renovation”), the Community will offer three additional forms of Residency Agreements: a 90% Return-of-Capital™ Plan for Expansion Residences, a 50% Return-of-Capital™ Plan for Expansion Residences, and a Traditional Plan for Expansion Residences. The Expansion

Agreements are substantially the same as their standard-contract counterparts. The main differences are that (1) they are written so that the balance of the Entrance Fee has not yet been paid, (2) they may be cancelled if we do not make a residence available to the resident within twenty-four (24) months after the agreement is executed, and (3) changes were made to the right of recession period.

3. Repayment of the Entrance Fee.

A. Nonacceptance. If the resident is not accepted for residency at the Community, the full amount of the Entrance Fee paid by the resident will be promptly repaid, without interest.

B. Right of Rescission. In accordance with the North Carolina law and regulations governing continuing care senior living communities, a resident has the right to rescind the Residency Agreement within 30 days following the later of (i) his/her execution of the Residency Agreement; or (ii) the receipt of a Disclosure Statement. The resident is not required to move into the Community before the expiration of the 30-day rescission period. If a resident rescinds the Residency Agreement, the Entrance Fee paid by the resident will be repaid, less (i) a service charge equal to the greater of \$1,000 or 2% of the Entrance Fee, and (ii) less any charges specifically incurred by the Community at the resident's request. The applicable repayment amount outlined above shall be paid within 60 days of our receipt of the written notice of rescission.

C. Cancellation Prior to Occupancy Due to Death, Illness, Injury, Incapacity, or Change in Financial Condition. If, prior to occupancy, the resident dies before occupying the residence at the Community or if, on account of illness, injury, incapacity a resident is unable to occupy the residence at the Community, then the Residency Agreement will automatically cancel. The resident may also cancel the Residency Agreement prior to occupancy due to a substantial change in the resident's financial condition. In all these events of cancellation prior to occupancy, the resident or resident's estate will receive a repayment of the portion of the Entrance Fee paid, less (i) a service charge equal to the greater of \$1,000 or 2% of the Entrance Fee, and (ii) less any charges specifically incurred by us at the resident's request. Such repayment shall be paid within 60 days after our receipt of the written notice of cancellation.

D. Cancellation Prior to Occupancy for Other Reasons. If the resident cancels the Residency Agreement for reasons other than those stated in Section 3.C above, the resident shall receive a repayment of the portion of the Entrance Fee paid, less (i) a service charge equal to the greater of \$1,000 or 2% of the Entrance Fee, and (ii) less any charges specifically incurred by us at the resident's request. Such repayment shall be paid within 60 days after our receipt of the written notice of cancellation.

E. Cancellation After Occupancy. In the event the Residency Agreement is canceled after occupancy or in the event of resident's death after occupancy, repayment of the Entrance Fee will be as follows:

(1) 50% Return-of-Capital™ Residency Agreement (see Exhibit 6 to this Disclosure Statement): Under the 50% Return-of-Capital™ Residency Agreement, resident or resident's estate will receive a repayment of 96% of the Entrance Fee previously paid by resident, less 2% for each month of residency or portion thereof for up to 23 months. Subject to the Community's right of set-off, the repayment of the Entrance Fee will not be less than 50%. In the event the residence is not reserved by a new resident, such repayment will be paid, without interest, within 24 months from the effective cancellation date of the Residency Agreement. Such repayment will be paid, without interest, within 60 days after the resident's residence is reserved by a new resident and such new resident has paid the full amount of the Entrance Fee.

(2) 90% Return-of-Capital™ Residency Agreement (see Exhibit 7 to this Disclosure Statement): Under the 90% Return-of-Capital™ Residency Agreement, resident or resident's estate will receive a repayment of 96% of the Entrance Fee previously paid by resident, less 2% for each month of residency or portion thereof for up to 3 months. Subject to the Community's right of set-off, the repayment of the Entrance Fee will not be less than 90%. Such repayment will be paid, without interest, within 60 days after the resident's residence is reserved by a new resident and such new resident has paid the full amount of the Entrance Fee. In the event the residence is not reserved by a new resident, such repayment will be paid, without interest, within 24 months from the effective cancellation date of the Residency Agreement.

(3) Traditional Residency Agreement (see Exhibit 8 to this Disclosure Statement): Under the Traditional Residency Agreement, resident or resident's estate will receive a repayment of the Entrance Fee previously paid by resident, less 2% for each month of residency or portion thereof. After 50 months of residency, the Entrance Fee will be fully amortized, and no repayment of the Entrance Fee will be made. If an Entrance Fee repayment is due under the Traditional Residency Agreement, such Entrance Fee repayment will be paid, without interest, within 60 days after the resident's residence is reserved by a new resident and such new resident has paid the full amount of the Entrance Fee. In the event the residence is not reserved by a new resident, such repayment will be paid, without interest, within 24 months from the effective cancellation date of the Residency Agreement.

F. Cancellation Upon Death. In the event of death of the resident at any time after occupancy, the Residency Agreement shall cancel and the repayment of the Entrance Fee paid by the resident will be as outlined in Section 3.E above.

G. Cancellation by Us. Upon 30 days written notice to the resident and/or his or her legal representative, we may cancel the Residency Agreement at any time on the following grounds, which shall be determined by us in our sole discretion:

- Resident does not comply with the terms of the Residency Agreement or the Community's published operating procedures, covenants, rules, regulations, and policies now existing or later amended by the Community; or



- Resident misrepresents himself or fails to disclose information during the residency process; or
- Resident fails to pay any charges to us within 60 days of the due date; or
- Resident's health status or behavior constitutes a substantial threat to the health or safety of resident, other residents, or others, including resident's refusal to consent to relocation, or behavior that would result in physical damage to the property of others.
- There is a major change in resident's physical or mental condition, which cannot be cared for in the Community Health Center within the limits of the Community's license.

Cancellation by us occurs only as a last resort, after it becomes clear to us that cancellation is necessary, and after the resident and/or the resident's legal representative/responsible party has an opportunity to be heard. Upon cancellation of residency, any Monthly Fees paid in advance are pro-rated and an appropriate repayment is made. Any repayment of the Entrance Fee would be computed on the same basis as stated in Section 3.E above.

H. Cancellation Due to Residence Not Available. For residents who enter a Residency Agreement for Expansion Residences, residents may cancel their Agreement upon written notice to us if we have not made the residence available to you for occupancy within twenty-four (24) months from the date we execute that Agreement. Refund of the Entrance Fee will be outlined in the Agreement.

5. Payment of a Monthly Fee. The resident is required to pay a Monthly Fee to the Community by the 10<sup>th</sup> day of each month. If there are two residents, a second person Monthly Fee will also be paid. The Monthly Fees are paid to provide the services and amenities described in the Residency Agreement and to meet the costs of the expenses associated with the operation of the Community. We may increase the Monthly Fee upon 30 days written notice to the residents if we deem it necessary in order to meet the financial needs of the Community and to provide the services to the residents. The current Monthly Fee amounts are included in the tables at the end of the main body of this Disclosure Statement.

6. Health Center Services. Each resident is entitled to receive 30 days of care in the Health Center (to receive assisted living, skilled nursing care, or specialized care for dementia or related disorders) at no extra charge, except for the costs of physician services and ancillary health services and supplies as outlined in the Residency Agreement. Such 30 days are non-cumulative and renew on an annual basis. After the 30 days of care each year, resident will be required to pay the per diem rate for care in the Health Center, as well as the Monthly Fee. If it is determined that the resident requires permanent care in a Health Center, the resident will be required to surrender his or her residence for occupancy by someone else. Once the residence is surrendered, the resident will no longer be required to pay the Monthly Fee.

7. Relocation/Moves. We reserve the right to relocate a resident to a different residence or a higher level of care after consultation with the resident, resident's family and attending physician if it is determined that such a move should be made for the benefit of the resident or for the proper operation of the Community or to meet the requirements of law.

8. Provisions for New Second Resident. No person other than the resident may occupy the residence without our written approval. If a second person, who is not a party to the Residency Agreement, wishes to become a resident of the Community, that person's acceptance will be in accordance with the current residency policy. An Entrance Fee as determined by the Community will be paid upon residency. In addition, each month the then-current Monthly Fee for second persons will be paid. If the second person does not meet the requirements for residency, he or she will not be permitted to occupy the residence for more than 30 days, except with our written approval.

9. Provisions for Resident Marrying Resident. Should the resident marry a person who is also a resident of the Community and should they decide to occupy one residence, they must declare which residence will be occupied and which residence will be surrendered. The repayment due to the surrendered residence will be as described in Section 3.E above. Each month, the then-current Monthly Fee for second persons shall be paid.

10. Insurance. The Residency Agreement requires that the resident maintain Medicare Part A, Medicare Part B and one supplemental health insurance policy or equivalent insurance coverage acceptable to us.

11. Financial Assistance. Financial assistance may be available to existing continuing care residents who live at the Community under a continuing care residency agreement. To be eligible for such financial assistance, the resident cannot impair his/her ability to meet his/her financial obligations by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance as outlined in the Residency Agreement. Financial assistance funds are available as long as providing financial assistance does not impair our ability to operate the Community on a sound financial basis for the benefit of all residents.

We do not offer financial assistance to those residents who are admitted directly to the Health Center (those who did not execute a residential living continuing care residency agreement).

12. Tax Discussion. The signing of the Residency Agreement and payment of the Entrance Fee and Monthly Fee gives rise to certain unique tax considerations. The discussion below outlines the process which will be utilized to determine the percentage of the Entrance Fee and Fee that the resident may choose to deduct as a medical expense. Each resident is advised to consult with his/her personal tax advisor regarding the tax consequences associated with becoming a resident of the Community. We are not a tax advisor and disclaim any responsibility for any tax advice relating to your becoming a resident of the Community.

13. Medical Expense Deduction. A resident of the Community may be allowed tax benefits associated with his or her residency. A percentage of the non-repayable portion of the Entrance Fee may be taken as a medical expense deduction in the year in which it is deemed finally paid. Also, a percentage of the Monthly Fee paid by a resident may be taken as a medical expense deduction each year. In February of each year, we will provide residents with a percentage of the

prior year's Monthly Fee that has been determined to be attributable to the operations of the Health Center. All deductions are of course subject to limitations imposed by the Internal Revenue Code of 1986, as amended. It is advisable that residents seek the advice of their tax counsel before taking this deduction.

## **SERVICES AND AMENITIES**

Pursuant to the terms of the Residency Agreement, residents are eligible to receive the following standard services and amenities for payment of the Monthly Fee:

- Monthly Dining Allocation, as further outlined in Section 3 of the Residency Agreements.
- Water, sewer, air conditioning, heating, electricity, trash removal, and municipal services. The resident is responsible for the charges related to telephone, and cable or satellite television reception.
- Access to one unassigned parking stall (other spaces, if available, may be provided for an additional fee).
- Building and grounds maintenance.
- Weekly housekeeping service.
- Availability of laundry facilities so that resident may wash and dry personal laundry.
- Planned activities -- social, educational, cultural, recreational, and spiritual -- for those who wish to participate.
- Services of an activities director.
- Use of the Community's common areas and amenities during scheduled hours – central dining room, chapel, library, mail boxes, lounges, arts and crafts room, exercise areas, community garden, dog park, fellowship hall, and woodworking shop.
- Carpeting (except in the kitchen and bath where there is other floor covering).
- A kitchen, including refrigerator with icemaker, range/oven, garbage disposal, dishwasher, and microwave.
- Local transportation scheduled by us.
- Twenty-four hour emergency call monitoring in resident's residence by nursing staff.
- Guest parking areas.
- Fire detection system.
- Security for buildings and grounds.
- Health Center Level Services for 30 free annual days of care, as further defined in the Residency Agreements.

The following supplemental services and amenities are also available to residents for an extra charge:

- Additional meals in the dining room over those provided in consideration for the Monthly Fee.
- Guest accommodations, if available.

- Certain other supplies and services such as medicine, drugs, prescribed therapy, Health Center Medical Director, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.
- Other optional services related or unrelated to care in the Health Center as approved by us.
- Personal laundry service.
- Guest meals.
- Additional housekeeping services.
- Special events transportation.
- Extended dietician services when ordered by resident's attending physician or dietician services not ordered by resident's attending physician.
- Tray service to resident's residence when ordered by resident's attending physician, the Health Center Medical Director, the Health Center director of nursing, assistance-in-living director or resident services director.
- Health Center Level Services beyond the 30 free annual days of care, as further defined in the Residency Agreements.

## **RESERVES, ESCROW, AND TRUSTS STATEMENT**

(A)---All continuing care facilities shall maintain after opening: operating reserves equal to twenty-five percent (25%) to fifty percent (50%) of the total operating costs projected for the 12-month period following the period covered by the most recent annual statement filed with the Department. The forecast statements as required by G.S.58-64-20 (a)(12) shall serve as the basis for computing the operating reserve. In addition to total operating expenses, total operating costs will include debt service, consisting of principal and interest payments along with taxes and insurance on any mortgage loan or other long-term financing, but will exclude depreciation, amortized expenses, and extraordinary items as approved by the Commissioner. If the debt service portion is accounted for by way of another reserve account, the debt service portion may be excluded. Facilities that maintain an occupancy level in excess of 90% shall only be required to maintain 25% operating reserve upon approval of the Commissioner, unless otherwise instructed by the Commissioner. The operating reserves may be funded by cash, by invested cash, or by investment grade securities, including bonds, stocks, U.S. Treasury obligations, or obligations of U.S. government agencies.

(B)---Operating reserves shall only be released upon the submittal of a detailed request from the provider or facility and must be approved by the Commissioner. Such requests must be submitted in writing for the Commissioner to review at least 10 business days prior to the date of withdrawal.

(C)---The operating reserve requirement for Whitestone is \$3,548,250. The Masonic and Eastern Star Home of North Carolina, Inc. has available as of March 31, 2021 short-term restricted assets of \$5,510,638 with additional funds set aside as restricted assets to meet North Carolina year end reserve requirements.

(D)---Overall policies and decisions relative to the magnitude of reserve funds, investment of reserve funds, and the expenditure of operating funds are under the direction of the Finance Committee of the Board of Directors. However, for many years, the Board of Directors has relied on the Directors of the North Carolina Masonic Foundation for investment purposes. The Foundation is comprised of five members who serve five year staggered terms. Due to their successful management, each has been re-elected each year. All of the members have been, or are, successful businessmen, and because of their love for WhiteStone, there is no expense for their services.

## **FACILITY EXPANSION AND RENOVATION**

### Purpose, need and scope of the expansion

The Community currently has (a) three residential buildings containing a total of 33 rooms and apartments; (b) an independent living building containing 46 one and two bedroom apartments; (c) 16 one and two bedroom duplex cottages and 54 houses; (d) an administrative office building; (e) a kitchen and dining room complex (designed to serve the independent living residents); and (f) a chapel. In addition, a skilled nursing center (the “Care and Wellness Center”) built in 1999 contains 100 licensed beds (12 are memory care beds and 88 are nursing care beds, of which 60 are dually certified for Medicare and Medicaid), a kitchen, two separate dining areas for residents, a physical therapy room, a therapy pool, meeting rooms, and administrative offices. In 2010, a new fitness center was added and the commons and dining buildings underwent a complete renovation. In 2012, an addition was completed adding the 46-unit independent living building mentioned in (b) above and eight new houses. In total, there are currently 149 independent living units, 88 nursing care beds and 12 memory care beds. As of November 2021, not all of these units are available for residency due the current expansion. The Community also provides home care services for those living in independent living units.

The addition of a fitness center and the renovation of the commons and dining in 2010 and the addition of the 46 independent living apartments in 2012 (described above) were the first steps of a long-range plan to expand and reposition the community to more successfully match consumer expectations and to keep WhiteStone competitive in its marketplace, thereby protecting the investments of the WhiteStone residents. The 2012 expansion of new independent living units, while marketed and constructed during very difficult economic times, was an overwhelming success. The current expansion project will continue the Owner’s planned, orderly long-term expansion and repositioning of WhiteStone.

The current expansion seeks to meet four goals of the Owner - first, to provide a full continuum of care to its residents with the addition of assisted living beds; second, to significantly renovate the Care and Wellness Center originally built in 1999; third, to continue improving the independent living unit mix to meet the expectations of today’s residents; and fourth, to add commons and amenities for the enjoyment of its current residents and to meet the expectations of its prospective residents.

The Owner began considering the current expansion in 2015 and engaged LCS Development, LLC (“LCSD”) as its Development Consultant for the proposed project. In 2015 and 2016, LCSD performed a master planning exercise to assist the Owner in defining the scope for the project. In 2017, the Owner assembled its final Development Team that includes LCSD as Development Consultant; SFCS, Inc. as Architect; Frank L. Blum Construction Company as Construction Manager; and Cain Brothers as Financial Advisor. All of these firms have extensive experience in the senior housing industry, both nationally and in North Carolina. In October of 2020, the Owner broke ground on the project, which consists of the following:

- Constructing 67 new independent living apartments – a mix of one and two-bedroom units
- Constructing a new assisted living/memory care facility containing 24 assisted living units and 12 memory care suites
- Significant renovation of the Care and Wellness Center (the skilled nursing facility) including the conversion of some semi-private rooms to private rooms
- Renovation of the wellness area and relocation of certain community amenities

WhiteStone’s campus site has sufficient land to allow for the current expansion and the expansion is allowed under the site’s I zoning.

The expansion project is expected to be completed in March of 2023.

## Summary of Financing

The total financial requirements to complete the expansion project are assumed to be approximately \$65,346,000 and assumed to be funded primarily through the issuance of approximately \$61,918,000 of bonds (the “Series 2019 Bonds”) and the proceeds of a line of credit of approximately \$3,428,000. The owner has assumed the following sources and uses of funds in preparing the financial projection.

|  |                 |
|--|-----------------|
| <b>Sources of Funds:</b>   |                 |
| Series 2019A Bonds <sup>(1)</sup>                                | \$46,380        |
| Series 2019B Bonds <sup>(1)</sup>                                | 15,538          |
| Line of credit <sup>(2)</sup>                                    | 3,428           |
| <b>Total Sources of Funds</b>                                    | <b>\$65,346</b> |
| <b>Uses of Funds:</b>  |                 |
| Direct construction costs <sup>(3)</sup>                         | \$38,750        |
| Marketing costs <sup>(4)</sup>                                   | 1,280           |
| Design fees <sup>(5)</sup>                                       | 2,400           |
| Furniture, fixtures and equipment <sup>(6)</sup>                 | 1,400           |
| Miscellaneous costs <sup>(7)</sup>                               | 734             |
| Development Fee <sup>(8)</sup>                                   | 2,487           |
| Contingency <sup>(9)</sup>                                       | 2,632           |
| Land <sup>(7)</sup>  | 25              |
| <b>Total Project related costs</b>                               | <b>\$49,708</b> |
| Debt service reserve funds – Series 2019 Bonds <sup>(10)</sup>   | \$4,046         |
| Funded interest <sup>(11)</sup>                                  | 6,811           |
| Repayment of line of credit and accrued interest <sup>(12)</sup> | 3,544           |
| Cost of issuance <sup>(13)</sup>                                 | 1,237           |
| <b>Total Uses of Funds</b>                                       | <b>\$65,346</b> |

### Financial impact on current residents

The proposed expansion will not have a significant negative impact on current residence. In fact, the Owner is confident that, with the addition of a full continuum of care and a fully renovated skilled nursing center that the proposed expansion will provide, WhiteStone will be much better positioned in its competitive market after the expansion. Also, the addition of new independent living units will allow WhiteStone to create better operating efficiencies by spreading certain fixed operating and administrative costs over a larger number of units.

### Impact on community structures for the provision of resident services

As noted above, additional units allow the facility to spread the cost of services and commons over a larger number of residents and thus increase efficiencies. When creating the development pro forma the Development Team worked with WhiteStone’s operations staff to budget required additional staff and the cost of additional services for the expansion of independent living units and the new assisted living/memory care facility.

This proposed expansion will benefit WhiteStone and its residents by:

- Providing a full continuum of care not currently available
- Increasing the number and percentage of the larger independent living units which are most desired by the market
- Improving and significantly renovating the skilled nursing facility, including the conversion of a number of semi-private rooms to private that has been a stated desire of current residents
- Increasing the marketability of the existing and proposed independent living units by all of the improvements listed above

## **ESTIMATED OCCUPANCY FOR 2021**

### Independent Living:

148 available / 137 occupied (capacity reduced due to renovation)

### Assisted Living / Memory Care:

12 available / 11 occupied

### Health Center:

40 units available / 37 occupied

## **FINANCIAL INFORMATION**

1. **Financial Statements.** WhiteStone operates on a fiscal year which coincides with the calendar year (12/31). The financial records of the facility are audited annually by Bernard Robinson & Company, L.L.P.; 1501 Highwoods Blvd., Suite 300, Greensboro, NC 27410. Our operating income is derived mainly from two sources. Approximately 90% of operating income comes from the residents (either private monthly income or Medicare, Medicaid and private insurance) and approximately 10% comes from charitable sources. See Exhibit 2 of this Disclosure Statement for current certified financial statements as of December 31, 2020.

2. **Forecasted Financial Statements.** See Exhibit 3 of this Disclosure Statement for certified five year projection statements for 2021 through 2025.

3. **Interim Unaudited Financial Statements.** See Exhibit 4 of this Disclosure Statement for interim unaudited financial statements as of March 31, 2021.

4. **Explanation of Material Differences.** See Exhibit 5 for the explanation of the material differences for the Balance Sheet, Statement of Operations, and Statement of Cash Flows for the fiscal year 2020 and the actual results for the fiscal year 2020.



5. Financing. See Note 6 of the audited financial statements for information on long-term debt and financing.

## FEES

The following tables set out the current monthly fee, current per diem rates of charge for care in the Health Center, the average increase in monthly fee and per diem rates for the past five years, the current and five year historical entrance fee amounts for WhiteStone, and current in-home care rates. Fees are adjusted annually, effective January 1.

### 2021 Monthly Fees

| <b>Type of Residence</b>                    | <b>Single Occupancy</b> | <b>Double Occupancy</b> |
|---|-------------------------|-------------------------|
| Residential Apartments                      |                         |                         |
| Studio                                      | \$2,749                 | 3,257                   |
| Studio Deluxe                               | 2,749                   | 3,257                   |
| Latham, Bennette Kitchenette<br>(1 Bedroom) | 3,353                   | 3,861                   |
| Latham, Bennette Kitchen<br>(1 Bedroom)     | 3,353                   | 3,861                   |
| Linville<br>(1 Bedroom Renovated)           | 3,353                   | 3,861                   |
| Apartment Homes                             |                         |                         |
| Alamance<br>(1 Bdrm, Full Bath)             | 2,815                   | 3,451                   |
| Caswell<br>(1 Bdrm w/Den, 1.5 Bath)         | 3,088                   | 3,724                   |
| Davidson<br>(1 Bdrm w/Den, 1.5 Bath)        | 3,272                   | 3,906                   |
| Forsyth<br>(2 Bdrm, 2 Bath)                 | 3,454                   | 4,088                   |
| Guilford<br>(2 Bdrm, 2 Bath)                | 3,525                   | 4,162                   |
| Randolph<br>(2 Bdrm, 2 Bath, Sunroom)       | 3,634                   | 4,216                   |
| Cottages                                    |                         |                         |
| 1 Bedroom/1 Bath                            | 2,608                   | 3,195                   |
| 2 Bedroom/2 Bath                            | 2,855                   | 3,420                   |
| Villa Homes                                 |                         |                         |
| Piedmont (2 Bdrm, 2 Bath)                   | 3,228                   | 3,811                   |
|   |                         |                         |

**Average Dollar Amount of Changes – Monthly Fee**

|                  | 2016    | 2017    | 2018    | 2019    | 2020  | 2021  |
|------------------|---------|---------|---------|---------|-------|-------|
| Single Occupancy | \$76.27 | \$71.00 | \$89.73 | \$97.80 | \$117 | \$106 |
| Double Occupancy | \$66.93 | \$13.00 | \$15.86 | \$17.00 | \$138 | \$126 |

**2021 Health Center Fees**

Current per diem rates of charge for assisted living or skilled nursing care in the Health Center are:

|                      |  |       |
|----------------------|--|-------|
| Assisted Living Care |  |       |
| Semi-Private Room    |  | \$229 |
| Private Room         |  | \$253 |
| Skilled Nursing Care |  |       |
| Semi-Private Room    |  | \$275 |
| Private Room         |  | \$333 |

**Average Dollar Amount of Changes – Assisted Living Per Diem Charge**

|              | 2016   | 2017   | 2018   | 2019   | 2020   | 2021   |
|--------------|--------|--------|--------|--------|--------|--------|
| Semi-Private | \$6.00 | \$5.79 | \$8.00 | \$7.00 | \$8.00 | \$8.00 |
| Private      | \$7.00 | \$6.36 | \$9.00 | \$8.00 | \$9.00 | \$9.00 |

**Average Dollar Amount of Changes – Skilled Nursing Per Diem Charge**

|              | 2016   | 2017   | 2018    | 2019    | 2020    | 2021    |
|--------------|--------|--------|---------|---------|---------|---------|
| Semi-Private | \$7.00 | \$6.96 | \$8.00  | \$9.00  | \$10.00 | \$9.00  |
| Private      | \$9.00 | \$8.40 | \$11.00 | \$10.00 | \$13.00 | \$11.00 |

### Entrance Fee Table – Traditional Plan

| Type of Residence                           | 2016     | 2017     | 2018     | 2019     | 2020     | 2021     |
|---|----------|----------|----------|----------|----------|----------|
| <b>Residential Apartments</b>               |          |          |          |          |          |          |
| Studio                                      | \$50,000 | \$52,500 | \$52,500 | \$52,500 | \$52,500 | \$54,400 |
| Studio Deluxe                               | 67,000   | \$72,462 | 70,000   | 70,000   | 70,000   | 72,500   |
| Latham, Bennette Kitchenette<br>(1 Bedroom) | 80,000   | 84,000   | 85,000   | 85,000   | 85,000   | 88,000   |
| Latham, Bennette Kitchen<br>(1 Bedroom)     | 93,400   | 98,030   | 100,000  | 100,000  | 100,000  | 103,500  |
| Linville<br>(1 Bedroom Renovated)           | 93,400   | 98,030   | 100,000  | 100,000  | 100,000  | 103,500  |
| <b>Apartment Homes</b>                      |          |          |          |          |          |          |
| Alamance<br>(1 Bdrm, Full Bath)             | 144,000  | 150,492  | 158,000  | 158,000  | 158,000  | 163,600  |
| Caswell<br>(1 Bdrm w/Den, 1.5 Bath)         | 171,000  | 179,432  | 185,000  | 185,000  | 185,000  | 191,500  |
| Davidson<br>(1 Bdrm w/Den, 1.5 Bath)        | 182,000  | 191,009  | 200,500  | 200,500  | 200,500  | 207,500  |
| Forsyth<br>(2 Bdrm, 2 Bath)                 | 209,500  | 219,950  | 220,000  | 220,000  | 220,000  | 227,700  |
| Guilford<br>(2 Bdrm, 2 Bath)                | 220,500  | 231,525  | 238,500  | 238,500  | 238,500  | 246,900  |
| Randolph<br>(2 Bdrm, 2 Bath, Sunroom)       | 238,140  | 250,047  | 250,000  | 250,000  | 250,000  | 258,800  |
| <b>Cottages</b>                             |          |          |          |          |          |          |
| 1 Bedroom/1 Bath                            | 126,150  | 132,450  | 120,000  | 120,000  | 120,000  | 124,200  |
| 2 Bedroom/2 Bath                            | 147,520  | 154,895  | 140,000  | 140,000  | 140,000  | 145,000  |
| <b>Villa Homes</b>                          |          |          |          |          |          |          |
| Piedmont (2 Bdrm/2 Bath)                    | 270,500  | 270,500  | 284,000  | 284,000  | 284,000  | 294,000  |

**Entrance Fee Table – 50% Return-of-Capital™ Plan**

| <b>Type of Residence</b>                    | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Residential Apartments</b>               |             |             |             |             |             |             |
| Studio                                      | \$70,000    | 73,500      | \$75,700    | \$75,700    | \$75,700    | \$78,400    |
| Studio Deluxe                               | 93,800      | 101,446     | 101,000     | 101,000     | 101,000     | 104,500     |
| Latham, Bennette Kitchenette<br>(1 Bedroom) | 112,000     | 117,600     | 123,000     | 123,000     | 123,000     | 149,100     |
| Latham, Bennette Kitchen<br>(1 Bedroom)     | 130,760     | 137,242     | 144,000     | 144,000     | 144,000     | 149,400     |
| Linville<br>(1 Bedroom Renovated)           | 130,760     | 137,242     | 144,000     | 144,000     | 144,000     | 149,100     |
| <b>Apartment Homes</b>                      |             |             |             |             |             |             |
| Alamance<br>(1 Bdrm, Full Bath)             | 200,500     | 210,525     | 232,260     | 232,260     | 232,260     | 240,400     |
| Caswell<br>(1 Bdrm w/Den, 1.5 Bath)         | 244,650     | 256,882     | 267,000     | 267,000     | 267,000     | 276,400     |
| Davidson<br>(1 Bdrm w/Den, 1.5 Bath)        | 257,250     | 270,112     | 295,000     | 295,000     | 295,000     | 305,300     |
| Forsyth<br>(2 Bdrm, 2 Bath)                 | 294,000     | 308,700     | 308,000     | 308,000     | 308,000     | 318,800     |
| Guilford<br>(2 Bdrm, 2 Bath)                | 308,700     | 324,135     | 333,000     | 333,000     | 333,000     | 344,700     |
| Randolph<br>(2 Bdrm, 2 Bath, Sunroom)       | 333,900     | 350,595     | 350,595     | 350,595     | 350,595     | 362,900     |
| <b>Cottages</b>                             |             |             |             |             |             |             |
| 1 Bedroom/1 Bath                            | 176,610     | 185,430     | 173,000     | 173,000     | 173,000     | 179,100     |
| 2 Bedroom/2 Bath                            | 206,528     | 216,853     | 202,000     | 202,000     | 202,000     | 209,200     |
| <b>Villa Homes</b>                          |             |             |             |             |             |             |
| Piedmont (2 Bdrm/2 Bath)                    | 386,400     | 386,400     | 417,500     | 417,500     | 417,500     | 432,100     |

**Entrance Fee Table – 90% Return-of-Capital™ Plan**

| <b>Type of Residence</b>                    | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Residential Apartments</b>               |             |             |             |             |             |             |
| Studio                                      | \$90,000    | 94,500      | \$75,700    | \$97,000    | \$97,000    | \$100,400   |
| Studio Deluxe*                              | 120,600     | 130,432     | 101,000     | 130,000     | 130,000     | 134,600     |
| Latham, Bennette Kitchenette<br>(1 Bedroom) | 144,000     | 151,200     | 123,000     | 158,000     | 158,000     | 163,600     |
| Latham, Bennette Kitchen<br>(1 Bedroom)     | 168,120     | 176,454     | 144,000     | 185,000     | 185,000     | 191,500     |
| Linville<br>(1 Bedroom Renovated)           | 168,120     | 176,454     | 144,000     | 185,000     | 185,000     | 191,500     |
| <b>Apartment Homes</b>                      |             |             |             |             |             |             |
| Alamance<br>(1 Bdrm, Full Bath)             | 258,000     | 271,215     | 298,600     | 298,600     | 298,600     | 309,100     |
| Caswell<br>(1 Bdrm w/Den, 1.5 Bath)         | 311,850     | 327,442     | 343,000     | 343,000     | 343,000     | 355,000     |
| Davidson<br>(1 Bdrm w/Den, 1.5 Bath)        | 330,750     | 347,287     | 379,000     | 379,000     | 379,000     | 392,300     |
| Forsyth<br>(2 Bdrm, 2 Bath)                 | 378,000     | 396,900     | 396,900     | 396,900     | 396,900     | 410,800     |
| Guilford<br>(2 Bdrm, 2 Bath)                | 397,000     | 416,850     | 442,000     | 442,000     | 442,000     | 457,500     |
| Randolph<br>(2 Bdrm, 2 Bath, Sunroom)       | 429,000     | 450,450     | 450,450     | 450,450     | 450,450     | 466,200     |
| <b>Cottages</b>                             |             |             |             |             |             |             |
| 1 Bedroom/1 Bath                            | 227,070     | 238,410     | 173,000     | 222,500     | 222,500     | 230,300     |
| 2 Bedroom/2 Bath                            | 265,536     | 278,811     | 202,000     | 260,000     | 260,000     | 269,100     |
| <b>Villa Homes</b>                          |             |             |             |             |             |             |
| Piedmont (2 Bdrm/2 Bath)                    | 496,125     | 496,126     | 537,000     | 537,000     | 537,000     | 555,800     |

## **2021 Ancillary Charges**

|   |               |
|---|---------------|
| Monthly Laundry Charge                      | \$40/month    |
| Request for Additional weekly housekeeping  | \$47/cleaning |
| Personal Shopping Services (2 hour minimum) | \$21/hour     |
| Roll-away bed usage                         | \$10/night    |
| Carpet spot cleaning                        | \$26/hour     |

# **EXHIBIT 1**

## **Communities Managed by Life Care Services LLC**



**EXHIBIT A**  
**SENIOR LIVING COMMUNITIES MANAGED**  
**BY LIFE CARE SERVICES**  
**AS OF 1/15/2021**

Alabama, Birmingham – Galleria Woods  
Alabama, Hoover – Danberry at Inverness  
Arizona, Chandler – Clarendale of Chandler  
Arizona, Peoria – Sierra Winds  
Arizona, Phoenix – Sagewood  
Arizona, Tempe (Phoenix) – Friendship Village of Tempe  
California, Cupertino – Forum at Rancho San Antonio, The  
California, San Diego – Casa de las Campanas  
California, San Luis Obispo – Villaggio at San Luis Obispo  
California, San Rafael – Aldersly  
California, Santa Rosa – Arbol Residences of Santa Rosa  
Connecticut, Essex – Essex Meadows  
Connecticut, Mystic – StoneRidge  
Connecticut, Southbury – Pomperaug Woods  
Florida, Boca Raton – Toby & Leon Cooperman Sinai Residences of Boca Raton  
Florida, Bradenton – Freedom Village of Bradenton  
Florida, Celebration – Windsor at Celebration  
Florida, Clearwater – Regency Oaks  
Florida, Jacksonville – Cypress Village  
Florida, Leesburg – Lake Port Square  
Florida, Naples – The Glenview at Pelican Bay  
Florida, Palm City – Sandhill Cove  
Florida, Port Charlotte – South Port Square  
Florida, Seminole – Freedom Square of Seminole  
Florida, Seminole – Lake Seminole Square  
Florida, Sun City Center – Freedom Plaza  
Florida, The Villages – Freedom Point at The Villages  
Georgia, Evans – Brandon Wilde  
Georgia, Savannah – Marshes of Skidaway Island, The  
Georgia, Stone Mountain – Park Springs  
Hawaii, Honolulu – Hale Ola Kino  
Illinois, Addison – Clarendale of Addison  
Illinois, Algonquin – Clarendale of Algonquin  
Illinois, Chicago – Clare, The  
Illinois, Godfrey – Asbury Village  
Illinois, Lincolnshire – Sedgebrook  
Illinois, Mokena – Clarendale of Mokena  
Illinois, Naperville – Monarch Landing  
Illinois, St. Charles – River Glen of St. Charles  
Illinois, Wheaton – Wyndemere  
Indiana, Carmel – Magnolia Springs at Bridgewater  
Indiana, Carmel – Rose Senior Living – Carmel  
Indiana, Greenwood (Indianapolis) – Greenwood Village South  
Indiana, Indianapolis – Magnolia Springs Southpointe

Indiana, Indianapolis – Marquette  
Indiana, North Manchester – Peabody Retirement Community  
Indiana, Schererville – Clarendale of Schererville  
Indiana, Terre Haute – Westminster Village  
Indiana, West Lafayette – Westminster Village West Lafayette  
Iowa, Ames – Green Hills Community  
Iowa, Cedar Rapids – Cottage Grove Place  
Kansas, Atchison – Dooley Center  
Kansas, Bel Aire – Catholic Care Center  
Kentucky, Florence – Magnolia Springs Florence  
Kentucky, Lexington – Magnolia Springs Lexington  
Kentucky, Lexington – Richmond Place Senior Living  
Kentucky, Louisville – Magnolia Springs East  
Kentucky, Louisville – Magnolia Springs at Whipps Mill  
Maryland, Annapolis – Baywoods of Annapolis  
Maryland, Columbia – Residences at Vantage Point  
Maryland, Pikesville (Baltimore) – North Oaks  
Maryland, Timonium – Mercy Ridge  
Maryland, Towson (Baltimore) – Blakehurst  
Michigan, Battle Creek – NorthPointe Woods  
Michigan, Clinton Township – Rose Senior Living – Clinton Township  
Michigan, Dearborn – Henry Ford Village  
Michigan, East Lansing – Burcham Hills  
Michigan, Holland – Freedom Village  
Michigan, Kalamazoo – Friendship Village  
Michigan, Novi – Rose Senior Living at Providence Park  
Michigan, Waterford – Canterbury-on-the-Lake  
Minnesota, Champlin – Champlin Shores  
Minnesota, Plymouth – Trillium Woods  
Minnesota, Vadnais Heights – Gable Pines  
Missouri, Higginsville – John Knox Village East  
Missouri, St. Peters – Clarendale of St. Peters  
Nebraska, Lincoln – Woodlands at Hillcrest, The  
New Hampshire, Keene – Hillside Village  
New Jersey, Bridgewater – Delaney of Bridgewater, The  
New Jersey, Bridgewater – Laurel Circle  
New Jersey, Burlington – Masonic Village at Burlington  
New Jersey, Lakewood – Harrogate  
New York, Levittown – Village Green A Carlisle Assisted Living Community  
New York, Patchogue – Village Walk Patchogue  
New York, Rye Brook – Broadview Senior Living at Purchase College  
New York, Staten Island – Brielle at Seaview, The  
North Carolina, Chapel Hill – Cedars of Chapel Hill, The  
North Carolina, Charlotte – Cypress of Charlotte, The  
North Carolina, Durham – Croasdaile Village  
North Carolina, Greensboro – WhiteStone  
North Carolina, Greenville – Cypress Glen Retirement Community  
North Carolina, Lumberton – Wesley Pines Retirement Community  
North Carolina, Raleigh – Cypress of Raleigh, The  
North Carolina, Wilmington – Plantation Village

Ohio, Avon – Rose Senior Living – Avon  
Ohio, Beachwood – Rose Senior Living – Beachwood  
Ohio, Dublin – Friendship Village of Dublin  
Ohio, Mason – Magnolia Springs Loveland  
Oklahoma, Bartlesville – Green Country Village  
Oregon, Dallas – Dallas Retirement Village  
Oregon, Salem – Capital Manor  
Pennsylvania, Coatesville – Freedom Village at Brandywine  
Pennsylvania, Reading – Heritage of Green Hills, The  
Pennsylvania, Warrington – Solana Doylestown, The  
South Carolina, Greenville – Rolling Green Village  
South Carolina, Hilton Head Island – Bayshore on Hilton Head Island  
South Carolina, Hilton Head Island – Cypress of Hilton Head, The  
Tennessee, Brentwood – Heritage at Brentwood, The  
Tennessee, Hendersonville – Clarendale at Indian Lake  
Tennessee, Memphis – Heritage at Irene Woods  
Tennessee, Nashville – Clarendale at Bellevue Place  
Texas, Austin – Westminster  
Texas, Bedford – Parkwood Healthcare  
Texas, Bedford – Parkwood Retirement  
Texas, Dallas – Autumn Leaves  
Texas, Dallas – Monticello West  
Texas, Dallas – Signature Pointe  
Texas, Dallas – Walnut Place  
Texas, Georgetown – Delaney at Georgetown Village, The  
Texas, League City – Delaney at South Shore, The  
Texas, Lubbock – Carillon  
Texas, Richmond – Delaney at Parkway Lakes, The  
Texas, Spring – Village at Gleannloch Farms, The  
Texas, Temple – Meridian of Temple  
Texas, The Woodlands – Village at the Woodlands Waterway, The  
Texas, Victoria – Copperfield Village  
Texas, Victoria – Greatwood Homes of Victoria  
Texas, Waco – Delaney at Lake Waco, The  
Utah, Taylorsville – Summit Vista  
Vermont, White River – Village at White River Junction, The  
Virginia, Fairfax – Virginian, The  
Virginia, Gainesville – Heritage Village Assisted Living and Memory Care  
Virginia, Virginia Beach – Atlantic Shores  
Washington, Issaquah – Timber Ridge at Talus  
Wisconsin, Greendale – Harbour Village  
Wisconsin, Mequon – Newcastle Place  
Wisconsin, Milwaukee – Eastcastle Place

# **EXHIBIT 2**

## **Current Certified Financial Statements December 31, 2020**

**MASONIC AND EASTERN STAR HOME  
OF NORTH CAROLINA, INCORPORATED  
DBA: WHITESTONE**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2020**



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OUTSOURCING  
AUDIT, TAX, AND  
CONSULTING**

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED  
DBA: WHITESTONE  
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YEAR ENDED DECEMBER 31, 2020**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Masonic and Eastern Star Home of North Carolina, Incorporated  
dba: Whitestone  
Greensboro, North Carolina

We have audited the accompanying financial statements of Masonic and Eastern Star Home of North Carolina, Incorporated dba: Whitestone (the Home), which comprise the balance sheet as of December 31, 2020, and the related statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Home'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 Home's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors  
Masonic and Eastern Star Home of North Carolina, Incorporated  
dba: Whitestone

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Masonic and Eastern Star Home of North Carolina, Incorporated dba: Whitestone as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis-of-Matter Regarding a Correction of an Error***

As discussed in Note 14, the Home determined that there was an overstatement of net assets with donor restrictions at December 31, 2019. Our opinion is not modified with respect to that matter.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
May 15, 2021



**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**DBA: WHITESTONE**  
**BALANCE SHEET**  
**DECEMBER 31, 2020**

**ASSETS**

**CURRENT ASSETS**

|   |              |
|---|--------------|
| Cash and Cash Equivalents                 | \$ 3,908,034 |
| Assets Limited as to Use, Current Portion | 2,031,948    |
| Accounts Receivable                       | 652,326      |
| Accounts Receivable, Other                | 357,633      |
| Prepaid Expenses and Other Assets         | 307,457      |
| Total Current Assets                      | 7,257,398    |

**INVESTMENTS AND OTHER ASSETS**

|  |            |
|--|------------|
| Investments                                      | 10,284,388 |
| Assets Limited as to Use, Net of Current Portion | 77,714,911 |
| Assets in Split-Interest Agreements              | 4,097,253  |
| Deferred Costs, Net                              | 73,712     |
| Total Investments and Other Assets               | 92,170,264 |

**PROPERTY AND EQUIPMENT, NET**

37,527,239

Total Assets

\$ 136,954,901

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

|  |            |
|--|------------|
| Current Portion of Long-Term Debt                | \$ 315,000 |
| Accounts Payable                                 | 2,556,865  |
| Accrued Expenses                                 | 1,245,733  |
| Refundable Advance - Paycheck Protection Program | 1,434,400  |
| Refundable Advance Fees, Current                 | 722,384    |
| Total Current Liabilities                        | 6,274,382  |

**LONG-TERM DEBT**

97,439,487

**DEFERRED REVENUE AND OTHER LIABILITIES**

|  |            |
|--|------------|
| Deferred Revenue from Advance Fees           | 12,116,837 |
| Refundable Advance Fees                      | 3,758,062  |
| Deposits on Unoccupied Units                 | 979,860    |
| Long-Term Accounts Payable                   | 40,000     |
| Resident Trust Funds Payable                 | 266,686    |
| Total Deferred Revenue and Other Liabilities | 17,161,445 |

Total Liabilities

120,875,314

**NET ASSETS**

|                            |            |
|----------------------------|------------|
| Without Donor Restrictions | 10,768,753 |
| With Donor Restrictions    | 5,310,834  |
| Total Net Assets           | 16,079,587 |

Total Liabilities and Net Assets

\$ 136,954,901

See accompanying Notes to Financial Statements.

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**DBA: WHITESTONE**  
**STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2020**

**REVENUES, GAINS AND OTHER SUPPORT**

|   |                   |
|---|-------------------|
| Resident Service Revenues                       | \$ 5,171,022      |
| Health Care Revenues                            | 8,295,013         |
| Amortization of Advance Fees                    | 2,266,159         |
| Total Resident Service and Health Care Revenues | <u>15,732,194</u> |
| Contributions                                   | 2,045,219         |
| Investment Income                               | 137,139           |
| Provider Relief Fund Revenue                    | 719,100           |
| Other Income                                    | 2,792             |
| Release from Restriction                        | 1,987             |
| Total Revenues, Gains and Other Support         | <u>18,638,431</u> |

**EXPENSES**

|  |                   |
|--|-------------------|
| Salaries and Benefits                      | 9,020,350         |
| Contract Labor                             | 3,643             |
| Medical Supplies and Services              | 1,285,625         |
| Food Supplies and Services                 | 847,364           |
| Other Supplies and Activities              | 907,133           |
| Utilities and Communications               | 650,311           |
| Repairs and Maintenance                    | 686,028           |
| Property and Liability Insurance           | 226,756           |
| Depreciation                               | 1,739,864         |
| Amortization of Contract Acquisition Costs | 3,893             |
| Interest Expense                           | 1,082,122         |
| Management Fees                            | 570,000           |
| Other Operating Expenses                   | 929,585           |
| Total Expenses                             | <u>17,952,674</u> |

**OPERATING INCOME**

685,757

**NONOPERATING INCOME**

|   |                  |
|---|------------------|
| Change in Unrealized Gains on Investments | <u>1,536,794</u> |
|---|------------------|

|  |                            |
|--|----------------------------|
| Excess of Revenues over Expenses and<br>Changes in Net Assets Without Donor Restrictions | <u><u>\$ 2,222,551</u></u> |
|--|----------------------------|

See accompanying Notes to Financial Statements.

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**DBA: WHITESTONE**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2020**

|   |                             |
|---|-----------------------------|
| <b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b> | <b>\$ 2,222,551</b>         |
| <br>  |                             |
| <b>NET ASSETS WITH DONOR RESTRICTIONS</b>               |                             |
| Contributions   | 865,335                     |
| Investment Income                                       | 97,500                      |
| Change in the Value of Split-Interest Agreements        | 278,083                     |
| Net Assets Released from Restriction                    | <u>(1,987)</u>              |
| Change In Net Assets With Donor Restrictions            | <u>1,238,931</u>            |
| <br>  |                             |
| <b>CHANGE IN NET ASSETS</b>                             | <b>3,461,482</b>            |
| <br>  |                             |
| Net Assets - Beginning of Year                          | 15,410,991                  |
| Restatement of Net Assets                               | <u>(2,792,886)</u>          |
| Net Assets - Beginning of Year - As Restated            | <u>12,618,105</u>           |
| <br>  |                             |
| <b>NET ASSETS - END OF YEAR</b>                         | <b><u>\$ 16,079,587</u></b> |

See accompanying Notes to Financial Statements.

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**DBA: WHITESTONE**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|   |              |
|---|--------------|
| Changes in Net Assets   | \$ 3,461,482 |
| Adjustments to Reconcile Changes in Net Assets to<br>Net Cash Provided by Operating Activities: |              |
| Depreciation and Amortization   | 1,743,757    |
| Amortization of Deferred Financing Costs  | 43,713       |
| Amortization of Bond Premium  | (76,979)     |
| Advance Fees Received   | 1,463,350    |
| Amortization of Advance Fees  | (2,266,159)  |
| Net Realized and Unrealized Gains on Investments  | (1,536,794)  |
| Change in Value of Split-Interest Agreements  | (278,083)    |
| (Increase) Decrease in:   |              |
| Accounts Receivable, Net  | 195,701      |
| Accounts Receivable, Other  | (216,596)    |
| Prepaid Expenses and Other Assets   | 3,203        |
| Increase (Decrease) in:   |              |
| Accounts Payable  | (823,236)    |
| Accrued Expenses  | (185,164)    |
| Refundable Advance - Paycheck Protection Program  | 1,434,400    |
| Other Deposits and Liabilities  | 154,368      |
| Net Cash Provided by Operating Activities   | 3,116,963    |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|   |             |
|---|-------------|
| Purchase of Property and Equipment        | (4,128,857) |
| Payments on Deferred Costs                | (26,069)    |
| Net Purchases and Sales of Investments    | 91,985      |
| Net Change in Assets Whose Use is Limited | 338,406     |
| Net Cash Used by Investing Activities     | (3,724,535) |

**CASH FLOWS FROM FINANCING ACTIVITIES**

|   |             |
|---|-------------|
| Refunds of Advance Fees                                   | (307,992)   |
| Refundable Fees and Deposits on Unoccupied Units Received | 941,018     |
| Bond Issue Premium  | 3,143,581   |
| Proceeds from Issuance of Long-Term Debt                  | 73,295,000  |
| Payments of Deferred Financing Costs                      | (1,812,076) |
| Payments on Long-Term Debt                                | (300,000)   |
| Net Cash Provided by Financing Activities                 | 74,959,531  |

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 74,351,959

Cash, Cash Equivalents, and Restricted Cash - Beginning of Year 2,707,120

**CASH, CASH EQUIVALENTS, AND RESTRICTED CASH -  
END OF YEAR** \$ 77,059,079

See accompanying Notes to Financial Statements.

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**DBA: WHITESTONE**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2020**

**RECONCILIATION OF CASH, CASH EQUIVALENTS, AND  
RESTRICTED CASH**

|  |                             |
|--|-----------------------------|
| Cash and Cash Equivalents                            | \$ 3,908,034                |
| Restricted Cash Included in Assets Limited as to Use | <u>73,151,045</u>           |
| Total Cash, Cash Equivalents, and Restricted Cash    | <u><u>\$ 77,059,079</u></u> |

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

|  |                     |
|--|---------------------|
| Property and Equipment Additions in Accounts Payable<br>and Accrued Interest | <u>\$ 1,851,291</u> |
| Cash Payment of Interest, Net of Amounts Capitalized                         | <u>\$ 915,255</u>   |

*See accompanying Notes to Financial Statements.*

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**DBA: WHITESTONE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 1 ORGANIZATION**

Masonic and Eastern Star Home of North Carolina, Incorporated dba: Whitestone (the Home) is a nonprofit organization that principally provides housing, health care and other related services to residents through the operation of a continuing care retirement facility providing general and advanced care. The Home is located in Greensboro, North Carolina. It is subject to various laws and regulations enacted by the state of North Carolina regarding its activities. The Home is a philanthropic charity of the Grand Lodge and the Grand Chapter and subordinate lodges and chapters. Each lodge and chapter solicits contributions from its members for the support of the Home.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Use of Estimates**

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

**Cash, Cash Equivalents, and Restricted Cash**

For purposes of reporting cash flows, the Home considers cash accounts and highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents exclude money market accounts and mutual funds held in broker or trust accounts since they represent investment proceeds that will be reinvested in allowable investments of the Home. Restricted cash is included with cash and cash equivalents in the statement of cash flows.

**Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Pooled fund investments are reflected at fair value based on the net asset value per share of the investment, as a practical expedient. Changes in the fair value of investments, including both realized and unrealized gains and losses, are included in the accompanying statement of operations and statement of changes in net assets. In determining realized gains and losses, the cost of investments is determined using the specific-identification method.

**Assets Limited as to Use**

Assets limited as to use include assets set aside by the board of directors to meet North Carolina General Statute operating reserve requirements, deposits held in trust, and assets held by trustees under indenture agreements. Amounts required to meet current liabilities of the Home have been classified as current assets in the balance sheet.

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**DBA: WHITESTONE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets Limited as to Use (Continued)**

North Carolina General Statute 58-64-33 requires that continuing care retirement communities with occupancy levels in excess of 90% maintain an operating reserve equal to 25% of total operating costs projected for the 12-month period following the most recent annual statement filed with the Department of Insurance, upon approval of the Commissioner. Continuing care retirement communities with less than 90% occupancy are required to maintain an operating reserve equal to 50% of projected total operating costs.

Total operating costs shall include budgeted operating expenses plus debt service less depreciation and amortization expense, and revenue associated with noncontractual expenses. The operating reserve can only be released upon the submittal of a detailed request from the Home and must be approved by the North Carolina Department of Insurance.

Deposits held in trust include resident trust funds held by the Home on behalf of residents. Funds are provided to the resident or used to pay bills at the direction of the resident or responsible party. The funds are recorded as both an asset and a liability. Deposits held in trust also include deposits on unoccupied units. The deposits are held in trust until the prospective resident moves into the Home's facility. These funds are also recorded as an asset and liability.

**Accounts Receivable**

The Home records accounts receivable at amounts expected to be collected from residents. The Home determines past-due status of individual accounts receivable based on the contractual terms of the original contract (or based on how recently payments have been made, for example). The Home estimates an allowance for doubtful accounts based on a combination of factors, including the Home's historical loss experience and any anticipated effects related to current economic conditions, and management's knowledge of the current composition of accounts receivable. Accounts receivable that management believes to be ultimately not collectible are written off upon such determination. At December 31, 2020, the allowance for doubtful accounts was approximately \$138,000.

**Deferred Costs**

The costs associated with the acquisition of new contract of an expansion project are being deferred and will be amortized using the average life expectancy of the initial occupants of the facility. Amortization of these costs was approximately \$4,000 for the year ended December 31, 2020. Deferred financing costs relating to the financing of the facility are amortized over the life of the associated bonds. Amortization expense for the deferred financing costs is \$43,713 for the year ended December 30, 2020.

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets in Split-Interest Agreements**

The Home has beneficial interest in several irrevocable, unconditional split-interest agreements, which are all administered by third parties and for which the Home has lead or remainder interests. The Home has the irrevocable right to receive a share of income from the assets of these trusts. These assets are stated at the fair value of the Home's net asset value per share of trust assets, which is an approximation of the present value of the estimated future distributions from the trusts and have been recorded as net assets with donor restrictions based on restrictions associated with related trust agreements. Income distributions to the Home are included in investment income in net assets without donor restrictions. The change in the value of the beneficial interest is recorded as the change in the value of split-interest agreements in net assets with donor restrictions related to their respective trusts.

**Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation. Depreciation is determined by the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years.

The Home 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 an asset may not be recoverable. For assets to be held, impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. For assets to be disposed of, impairment is determined to exist if the estimated net realizable value is less than the carrying amount.

**Net Assets**

The Home classifies its funds for accounting and reporting purposes as either without donor restrictions or with donor restrictions:

*Net Assets Without Donor Restrictions* – All revenue not restricted by donors, unrestricted contributions designated by the board, and donor-restricted contributions whose restrictions are met in the same period in which they are received are accounted for as net assets without donor restrictions.

*Net Assets With Donor Restrictions* – All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. The investment income arising from endowment funds, if any, are accounted for in accordance with donor stipulations. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Those resources for which the restrictions are met in the same fiscal year they are received are included in net assets without donor restrictions.



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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Advance Fees**

Fees paid by a resident upon entering into a continuing care or independent living contract are recorded as deferred revenue and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident.

Independent residents choose the option of refundability from the following three options: (a) Depreciating Zero Refund Plan, (b) Depreciating 50% Refund Plan, or (c) Depreciating 90% Refund Plan. In the Depreciating Zero Refund Plan, no refund of the entrance fee will be paid to the resident after 50 months of occupancy. In the Depreciating 50% Refund Plan, the refund will not be less than 50% of the entrance fee. In the Depreciating 90% Refund Plan, the refund will not be less than 90% of total entrance fee. In addition to the entrance fee, monthly maintenance fees are also charged based on the unit selected.

At December 31, 2020, the portion of advance fees subject to refund provisions amounted to approximately \$4,508,000. Amounts expected to be refunded to current residents, based on the Home's experience, are approximately \$750,000 at December 31, 2020.

**Estimated Obligation to Provide Future Services**

The Home annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income.

The obligation is discounted at 5%, based on the expected long-term rate of return on government obligations. The Home computes this liability by estimating the cost per year per resident at the current level of care for each resident (skilled/intermediate care or residential care). This cost is multiplied by the future life expectancy of each resident based upon actuarially computed tables and increased for an estimated inflation factor of 3% per annum. No liability has been recorded as of December 31, 2020.

**Provider Relief Funding**

Due to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF). Total grant funds approved and received by the Home was \$719,100. The PRFs are subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit. For the year ended December 31, 2020, the Home recognized all of its PRF as other nonoperating income in the statement of operations. Management believes the amounts have been recognized appropriately as of December 31, 2020.

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Refundable Advance**

In April 2020, the Home received proceeds in the amount of \$1,434,400 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The PPP Loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the CARES Act. Therefore, the Home has classified this loan as a conditional contribution for accounting purposes. As of December 31, 2020, the Home has submitted their application for forgiveness; however, they have not received formal SBA approval of their forgiveness. This amount is presented on the balance sheet as a Refundable Advance. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender. If the SBA determines that a portion of the PPP Loan proceeds will not be forgiven, the Home would be obligated to repay those funds to the SBA at an interest rate of 1% over a period of two years. Upon forgiveness being granted, the amount forgiven will be recognized as contribution income in fiscal year 2021. Subsequent to year-end, formal forgiveness was granted on the entire amount of the PPP loan.

**Income Taxes**

The Home is a nonprofit organization exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3).

The Home files as a tax-exempt organization. Management is not aware of any activities that would jeopardize the tax-exempt status of the Home. Management is not aware of any significant activities that are subject to tax on unrelated business income or excise or other taxes for the Home.

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

**Fair Value Measurements**

The Home categorizes its assets measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements (Continued)**

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

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

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

Subsequent to initial recognition, the Home may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as money market funds. The fair value of our split-interest agreements are based on the fair value of fund investments as reported by the trustees. These are considered to be Level 3 measurements. There are no assets valued at Level 2 inputs.

**Advertising**

Advertising costs are expensed as incurred. Advertising expense was approximately \$316,000 for the year ended December 31, 2020.

**Subsequent Events**

Management has evaluated events and transactions for potential recognition or disclosure through May 15, 2021, which is the date the financial statements were available to be issued.

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**NOTE 3 RESIDENT SERVICE AND HEALTH CARE REVENUES**

Resident service and health care revenues are reported at the amount that reflects the consideration to which the Home expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Home bills the residents and third-party payors several days after the services are performed. Service fees paid by residents for maintenance, meals, and other services are assessed monthly and are recognized as revenue in the period services are rendered. Revenue is recognized as performance obligations are satisfied.

The Home generates revenues, primarily by providing housing, amenities (recreational, dining, etc.) and access to health care services to its residents. The various life care contract streams of revenue are recognized as follows:

Entrance Fees

The nonrefundable entrance fees received are recognized as deferred revenue upon receipt of the payment under the life care contract and included in liabilities in the balance sheet until the performance obligations are satisfied. These deferred amounts are then amortized on a straight-line basis into revenue on a monthly basis over the life of the resident as the performance obligation is associated with access to future services. The refundable portion of an entrance fee is not considered part of the transaction price and as such is recorded as a liability in the balance sheet.

Health Care Services

The Home also provides assisted and nursing care to residents who are covered by government and commercial payers. The Home is paid fixed rates from government and commercial payers. These fixed rates are billed in arrears monthly when the service is provided. The monthly fees represent the most likely amount to be received from the third-party payors.

Monthly Service Fees

The life care contracts that residents select require an advanced fee and monthly fees based upon the type of space they are applying for. Resident monthly service fee revenue for recurring and routine monthly services is generally billed monthly in advance. Payment terms are usually due within 30 days. The services provided encompass social, recreational, dining along with assisted living and nursing care and these performance obligations are earned each month. Resident fee revenue for nonroutine or additional services are billed monthly in arrears and recognized when the service is provided.

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**NOTE 3 RESIDENT SERVICE AND HEALTH CARE REVENUES (CONTINUED)**

Performance obligations are determined based on the nature of the services provided by the Home. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Home believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facilities receiving skilled nursing services or housing residents receiving services in the facilities. The Home considers daily services provided to residents of the skilled nursing facilities and monthly rental for housing services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter.

Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our residents and customers in a retail setting (for example, gift shop and cafeteria meals) and the Home does not believe it is required to provide additional goods or services related to that sale.

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

The Home determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors and/or implicit price concessions provided to residents. The Home determines its estimates of contractual adjustments based on contractual agreements, its policy, and historical experience. The Home determines its estimate of implicit price concessions based on its historical collection experience.

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**NOTE 3 RESIDENT SERVICE AND HEALTH CARE REVENUES (CONTINUED)**

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

Medicare and Medicaid

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

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

The Home's licensed nursing facility participates in the Medicaid program which is administered by the North Carolina Division of Health Benefits. Services rendered to Medicaid program beneficiaries are reimbursed using predetermined per diem rate as defined for each Medicaid provider in North Carolina. Annual cost report filings are required for Medicaid providers, which include the completion of the North Carolina Division of Health Benefit's supplemental schedules. For Continuing Care Retirement Facilities, the Supplemental Schedules do not contain a cost settlement.

Other

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

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**NOTE 3 RESIDENT SERVICE AND HEALTH CARE REVENUES (CONTINUED)**

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

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

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change.

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

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

The composition of resident service and health care revenue by primary payor for the year ended December 31, 2020 is as follows:

|                 |                      |
|-----------------|----------------------|
| Medicare        | \$ 824,148           |
| Medicaid        | 1,784,894            |
| Private         | 12,219,736           |
| Other Insurance | 903,416              |
|                 | <u>\$ 15,732,194</u> |

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

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**NOTE 3 RESIDENT SERVICE AND HEALTH CARE REVENUES (CONTINUED)**

The composition of resident service and health care revenues on the Home's lines of business, method of reimbursement, and timing of revenue recognition for the year ended December 31, 2020 are as follows:

|                              |                      |
|------------------------------|----------------------|
| Service Lines:               |                      |
| Independent Living           | \$ 4,477,914         |
| Assisted Living              | 808,061              |
| Home Health                  | 693,108              |
| Health Care Services         | 7,486,952            |
| Amortization of Advance Fees | 2,266,159            |
| Total                        | <u>\$ 15,732,194</u> |

|                              |                      |
|------------------------------|----------------------|
| Method of Reimbursement:     |                      |
| Monthly Service Fees         | \$ 5,285,975         |
| Amortization of Advance Fees | 2,266,159            |
| Fee for Service              | 8,180,060            |
| Total                        | <u>\$ 15,732,194</u> |

|  |                      |
|--|----------------------|
| Timing of Revenue and Recognition:         |                      |
| Health Care Services Transferred Over Time | <u>\$ 15,732,194</u> |

**NOTE 4 INVESTMENTS AND ASSETS LIMITED AS TO USE**

Investments and assets limited as to use were comprised of the following at December 31, 2020:

|                           |                      |
|---------------------------|----------------------|
| Cash and Cash Equivalents | \$ 73,151,045        |
| Money Market              | 955,283              |
| Mutual Funds              | 311,689              |
| Pooled Funds Accounts     | 15,613,230           |
| Total                     | <u>\$ 90,031,247</u> |

Assets limited as to use are allocated as follows:

|  |                      |
|--|----------------------|
| Operating Reserve for Department of Insurance                  | \$ 3,839,000         |
| Trustee Deposit Accounts Required by Long-Term Debt Agreements | 72,892,688           |
| Board-Designated Investments to Refund Advance Fees            | 863,415              |
| Donor Designated for Benevolence Assistance                    | 938,116              |
| Restricted Cash for Residents                                  | 260,680              |
| Restricted Cash for Admission Payments                         | 952,960              |
| Total  | <u>\$ 79,746,859</u> |



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**NOTE 4 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)**

Investment income consists of the following for the year ended December 31, 2020:

|                               |                            |
|-------------------------------|----------------------------|
| Interest and Dividends        | \$ 234,639                 |
| Unrealized and Realized Gains | <u>1,536,794</u>           |
| Total                         | <u><u>\$ 1,771,433</u></u> |

The table below presents the balance of assets measured at fair value on a recurring basis by level within the hierarchy at December 31, 2020:

|  | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u>      | <u>Total</u>        |
|--|---------------------|----------------|---------------------|---------------------|
| Investments and Assets Limited<br>as to Use: |                     |                |                     |                     |
| Money Market                                 | \$ 955,283          | \$ -           | \$ -                | \$ 955,283          |
| Mutual Funds                                 | 311,689             | -              | -                   | 311,689             |
| Assets in Split-Interest Agreements          | -                   | -              | 4,097,253           | 4,097,253           |
| Total  | <u>\$ 1,266,972</u> | <u>\$ -</u>    | <u>\$ 4,097,253</u> | <u>\$ 5,364,225</u> |

Certain investments held by the Home were measured at net asset value per share (or its equivalent) as a practical expedient and have not been classified in the fair value hierarchy.

The following table summarizes investments measured at fair value based on net asset value per share:

|             | <u>Fair Value</u>    | <u>Unfunded<br/>Commitments</u> | <u>Redemption<br/>Frequency</u> | <u>Redemption<br/>Notice Period</u> |
|-------------|----------------------|---------------------------------|---------------------------------|-------------------------------------|
| Income Fund | \$ 4,910,782         | N/A                             | As Needed                       | One Month                           |
| Stock Fund  | 10,702,448           | N/A                             | As Needed                       | One Month                           |
|             | <u>\$ 15,613,230</u> |                                 |                                 |                                     |

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows:

|                             | <u>Assets in<br/>Split-Interest<br/>Agreements</u> |
|-----------------------------|--|
| Balance - Beginning of Year | \$ 3,819,170                                       |
| Change in Fair Value        | <u>278,083</u>                                     |
| Balance - End of Year       | <u><u>\$ 4,097,253</u></u>                         |

The Home's investments potentially subject it to concentrations of credit risk. The Home maintains various types of investments that encompass many different companies with varied industrial and geographical characteristics designed to limit exposure to any one industry, company or geographical location. However, as most of the Home's investments are traded in public markets, they are subject to general fluctuations in the market's overall performance. The Home retains investment managers who perform periodic evaluations of the relative credit standing of the companies and financial institutions in which the Home invests.

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**NOTE 5 PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment as of December 31, 2020:

|                                |                             |
|--------------------------------|-----------------------------|
| Land and Improvements          | \$ 986,936                  |
| Buildings and Improvements     | 49,252,055                  |
| Equipment                      | 1,718,565                   |
| Furniture and Fixtures         | 1,388,641                   |
| Vehicles                       | 259,357                     |
| Construction In Progress       | <u>8,463,854</u>            |
| Total                          | 62,069,408                  |
| Less: Accumulated Depreciation | <u>(24,542,169)</u>         |
| Total                          | <u><u>\$ 37,527,239</u></u> |

Capitalized interest totaled approximately \$204,000 for the year ended December 31, 2020.

Construction in progress at December 31, 2020 was related to expansion projects at the Home's facilities to create an additional 67 independent living units and an additional 24 new assisted living units, as well as relocate 12 memory care beds and make improvements to the health care center, including the conversion of semi-private skilled nursing beds into private skilled nursing beds. As of December 31, 2020, the Home has remaining construction commitments amounting to approximately \$43,746,000 related to these expansion projects. Proceeds from the Series 2020 bonds described in Note 6 will be used to pay for this project.

**NOTE 6 LONG-TERM DEBT**

The following is a summary of long-term debt as of December 31, 2020:

|  |                             |
|--|-----------------------------|
| Public Finance Authority:                          |                             |
| Retirement Facilities First Mortgage Revenue       |                             |
| Refunding Bonds (Whitestone Project), Series 2017: |                             |
| Term Bonds Due 2027, Yielding 3.66%                | \$ 2,490,000                |
| Term Bonds Due 2037, Yielding 4.22%                | 5,270,000                   |
| Term Bonds Due 2052, Yielding 4.40%                | 14,955,000                  |
| Retirement Facilities First Mortgage Revenue       |                             |
| Bonds (Whitestone), Series 2020:                   |                             |
| Term Bonds Due 2026, Yielding 3.00%                | 9,190,000                   |
| Term Bonds Due 2027, Yielding 3.50%                | 4,000,000                   |
| Term Bonds Due 2030, Yielding 4.00%                | 5,310,000                   |
| Term Bonds Due 2045, Yielding 5.25%                | 19,865,000                  |
| Term Bonds Due 2055, Yielding 5.25%                | <u>34,930,000</u>           |
| Subtotal   | 96,010,000                  |
| Less: Current Portion                              | (315,000)                   |
| Less: Unamortized Deferred Financing Costs         | (2,399,368)                 |
| Plus: Unamortized Bond Premium                     | 4,143,855                   |
| Long-Term Portion                                  | <u><u>\$ 97,439,487</u></u> |

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**NOTE 6 LONG-TERM DEBT (CONTINUED)**

Scheduled principal repayments on long-term debt for the next five years and thereafter are summarized as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u>        |
|---------------------------------|----------------------|
| 2021                            | \$ 315,000           |
| 2022                            | 325,000              |
| 2023                            | 340,000              |
| 2024                            | 1,025,000            |
| 2025                            | 1,065,000            |
| Thereafter                      | <u>92,940,000</u>    |
| Total                           | <u>\$ 96,010,000</u> |

During 2017, the Home entered into a financing arrangement with the Public Finance Authority under which the Authority issued tax-exempt Series 2017 Revenue Refunding Bonds of \$23,855,000. The bonds were issued to refund the series 2011 bonds. These bonds are collateralized by a deed of trust on the Home, as well as a security interest in pledged assets.

During 2020, the Home entered into a financing arrangement with the Public Finance Authority under which the Authority issued tax-exempt Series 2020-A First Mortgage Revenue Bonds of \$60,105,000, Series 2020 B-1 First Mortgage Revenue Bonds of \$4,000,000, and Series 2020 B-2 First Mortgage Revenue Bonds of \$9,190,000. The bonds were issued to pay for the expansion project described in Note 5, to fund debt service reserve funds and pay a portion of interest on the bonds, and to pay certain costs of issuance. These bonds are collateralized by a deed of trust on the Home, as well as a security interest in pledged assets.

Under the terms of the bonds, the Home is required to maintain certain deposits with the trustees. Such deposits are included with assets limited as to use of the Home. The Master Trust Indenture Agreement for the bonds include certain covenants and restrictions. As of December 31, 2020, management believes the Home is in compliance with all covenants and restrictions.

**NOTE 7 LIQUIDITY AND AVAILABILITY**

The following reflects the Home's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing that could be drawn upon if the governing board approves that action. As of December 31, 2020, the Home had working capital of \$983,016.

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**DBA: WHITESTONE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 7 LIQUIDITY AND AVAILABILITY (CONTINUED)**

|  |                             |
|--|-----------------------------|
| Cash and Cash Equivalents                | \$ 3,908,034                |
| Investments                              | 10,284,388                  |
| Accounts Receivable                      | 652,326                     |
| Accounts Receivable, Other               | 357,633                     |
| Less: Purpose Restricted Net Assets      | <u>(275,465)</u>            |
| Total Financial Assets Available to Meet |                             |
| Liquidity Needs                          | <u><u>\$ 14,926,916</u></u> |

The Home is substantially supported by resident service and health care revenues. As part of the Home's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Home invests cash in excess of daily requirements in various investments held in assets limited as to use and as board designated funds. These funds may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes:

|  |                            |
|--|----------------------------|
| Subject to Expenditures for Specified Purpose:           |                            |
| Glasser Fund, Hair Treatments for Residents              |                            |
| Needing Assistance                                       | \$ 36,608                  |
| Resident Council   | 161                        |
| Sunshine Fund, Special Activities for Residents          | 3,515                      |
| Longdon Chapel Fund                                      | 200,506                    |
| Other Specific Purposes                                  | <u>34,675</u>              |
| Total  | 275,465                    |
| Split Interest Agreements                                | 4,097,253                  |
| Subject to the Home's Spending Policy and Appropriation: |                            |
| Benevolent Fund  | <u>938,116</u>             |
| Total Net Assets With Donor Restrictions                 | <u><u>\$ 5,310,834</u></u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or appropriation of approximately \$2,000 during 2020.

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**DBA: WHITESTONE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 9 ENDOWMENTS**

The Home's endowments consist of a board designated operating reserve fund and donor-restricted endowment funds to provide benevolent care to residents in need. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Laws and regulations allow the governing board to appropriate portions of an endowment fund as is prudent considering the following relevant factors: the duration and preservation of the endowment fund, the purposes of the Home and the endowment fund, general economic conditions, the possible effect of inflation or deflation, the expected total return from income and the appreciation of investments, the Home's other resources and investment policy. Under the Home's endowment spending policy, distributions will be permitted to the extent that they do not exceed a level that would erode the endowment's real assets over time.

Changes in endowment net assets and composition by type of fund consist of the following:

|                                | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
|--------------------------------|-------------------------------|----------------------------|---------------------|
| Beginning Endowment Net Assets | \$ 3,316,368                  | \$ -                       | \$ 3,316,368        |
| Contributions                  | -                             | 862,918                    | 862,918             |
| Investment Returns:            |                               |                            |                     |
| Investment Income              | 82,115                        | -                          | 82,115              |
| Net Appreciation               | 215,129                       | 75,198                     | 290,327             |
| Total Investment Return        | 297,244                       | 75,198                     | 372,442             |
| Appropriation of Endowment     | -                             | -                          | -                   |
| Ending Net Assets              | <u>\$ 3,613,612</u>           | <u>\$ 938,116</u>          | <u>\$ 4,551,728</u> |

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**DBA: WHITESTONE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 10 FUNCTIONAL EXPENSES**

The classification of functional expenses is as follows at December 31, 2020:

|                                  | Program<br>Services  | Management<br>and General | Fundraising      | Total                |
|----------------------------------|----------------------|---------------------------|------------------|----------------------|
| Salaries and Benefits            | \$ 7,063,385         | \$ 1,937,541              | \$ 19,424        | \$ 9,020,350         |
| Contract Labor                   | 3,643                | -                         | -                | 3,643                |
| Medical Supplies and Services    | 1,285,625            | -                         | -                | 1,285,625            |
| Food Supplies and Services       | 635,523              | 211,841                   | -                | 847,364              |
| Other Supplies and Activities    | 328,371              | 578,762                   | -                | 907,133              |
| Utilities and Communications     | -                    | 650,311                   | -                | 650,311              |
| Repairs and Maintenance          | 260,494              | 425,534                   | -                | 686,028              |
| Property and Liability Insurance | -                    | 226,756                   | -                | 226,756              |
| Depreciation                     | 1,043,918            | 695,946                   | -                | 1,739,864            |
| Amortization of Contract         |                      |                           |                  |                      |
| Acquisition Costs                | -                    | 3,893                     | -                | 3,893                |
| Interest Expense                 | 649,273              | 432,849                   | -                | 1,082,122            |
| Management Fees                  | -                    | 570,000                   | -                | 570,000              |
| Other Operating Expenses         | 182,232              | 741,251                   | 6,102            | 929,585              |
| Total Expenses                   | <u>\$ 11,452,464</u> | <u>\$ 6,474,684</u>       | <u>\$ 25,526</u> | <u>\$ 17,952,674</u> |

The financial statements report certain categories of expenses that are attributable to one or more supporting services of the Home. Those expenses are allocated using a ratable portion of the labor hours performed by the management team.

**NOTE 11 RELATED PARTY TRANSACTIONS**

The Home is affiliated with the Grand Lodge of A.F. and A.M. of North Carolina (Grand Lodge) and the Grand Chapter of the Eastern Star of North Carolina (Grand Chapter), and the Home's board of directors includes officers of and is elected by the Grand Lodge and the Grand Chapter.

The North Carolina Masonic Foundation, Incorporated (the Masonic Foundation) is a private, charitable foundation established by the Grand Lodge to fund its philanthropic endeavors. The Masonic Foundation is the sole member of the North Carolina Masonic and Eastern Star Home Foundation, LLC (the MESH Foundation LLC), a limited liability company organized for the purpose of providing financial support directly to the Home on behalf of deserving individual members of the Masonic and Eastern Star Fraternity and their qualified relations who reside at or receive services through the Home.

The Home also receives other substantial support from the Grand Chapter and other Masonic bodies, which is summarized as follows:

|   |            |
|---|------------|
| Grand Chapter of The Eastern Star of North Carolina | \$ 207,490 |
| North Carolina Masonic Foundation                   | 294,469    |
| MESH Foundation LLC                                 | 758,278    |
| Other Masonic Bodies                                | 170,000    |

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**DBA: WHITESTONE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 12 MANAGEMENT AGREEMENT**

The Home has a management agreement with Life Care Services, LLC to manage, operate, and maintain the Home's retirement community. The agreement runs through September 2021, however, the Home or Life Care Services, LLC can terminate this agreement without cause six months after formal notice is given. The Home agrees to pay Life Care Services, LLC a monthly management fee of \$47,500 and an annual application service provider fee of \$10,000 throughout the term of the contract. In 2020, this agreement was renewed effective September 1, 2021 for an additional five years. The renewal agreement was also updated so that the monthly management fee is 3.8% of revenues of the Home as defined in the agreement.

**NOTE 13 RETIREMENT PLAN**

The Home and Grand Lodge maintain a defined contribution participant-directed, multiemployer 401(k) plan. The plan covers all employees who are at least 18 years of age with at least six months of service. The Home will make yearly matching contributions determined at its discretion. Contributions were approximately \$83,000 for the year ended December 31, 2020.

The Home also maintains a multiemployer deferred compensation plan, under Internal Revenue Code Section 457, with the Grand Lodge. No contributions were made to this plan during 2020.

**NOTE 14 RESTATEMENT OF NET ASSETS**

During 2020, the Home determined that net assets at December 31, 2019 were overstated. Adjustments were made to correct the recording of split interest agreements and net assets with donor restrictions based upon a further understanding of the underlying trust agreements and the designations associated with the Home's net assets. The beginning net assets for the year ended December 31, 2020 have been restated by \$2,792,886 to reflect those adjustments, as shown in the table below:

|  | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>         |
|--|---------------------------------------|------------------------------------|----------------------|
| Net Assets - Beginning of Year                 | \$ 4,967,858                          | \$ 10,443,133                      | \$ 15,410,991        |
| Restatement of Net Assets                      | <u>3,578,344</u>                      | <u>(6,371,230)</u>                 | <u>(2,792,886)</u>   |
| Net Assets - Beginning of Year,<br>As Restated | <u>\$ 8,546,202</u>                   | <u>\$ 4,071,903</u>                | <u>\$ 12,618,105</u> |

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**DBA: WHITESTONE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 15 CONCENTRATIONS OF CREDIT RISK**

The Home maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation (the FDIC). Deposit accounts, at times, may exceed federally insured limits.

The Home's investments potentially subject it to market risk and concentrations of credit risk. The Home maintains various types of investments that encompass many different companies with varied industry and geographical characteristics designed to limit exposure to any one industry, company or geographical location. However, as most of the Home's investments are traded in public markets, they are subject to general fluctuations in the market's overall performance. The Home retains investment managers who perform periodic evaluations of the relative credit standing of the companies and financial institutions in which the Home invests.

The Home grants credit without collateral to its residents and is insured under third-party payor agreements. The mix of receivables from residents and third-party payors:

|                             |       |
|-----------------------------|-------|
| Medicare                    | 40 %  |
| Medicaid                    | 15    |
| Private and Other Insurance | 45    |
| Total                       | 100 % |

**NOTE 16 COMMITMENTS AND CONTINGENCIES**

**COVID-19**

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



# **EXHIBIT 3**

## **Certified Five Year Projection Statements (2021-2025)**

**MASONIC AND EASTERN STAR HOME  
OF NORTH CAROLINA, INC. DBA: WHITESTONE**

**COMPILATION OF A FINANCIAL PROJECTION**

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



WEALTH ADVISORY | OUTSOURCING  
AUDIT, TAX, AND CONSULTING

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## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors  
Masonic and Eastern Star Home of North Carolina, Inc.  
(dba Whitestone)  
Greensboro, North Carolina

Management of Masonic and Eastern Star Home of North Carolina, Inc. (dba Whitestone) (the "Home") and the Home's third party manager, Life Care Services, LLC (collectively, "Management") are responsible for the accompanying projected financial statements, which comprise the projected balance sheets as of December 31, 2021, 2022, 2023, 2024, and 2025, and the related projected statements of operations and changes in net assets, and cash flows for the years then ending, and the related summaries of significant projection assumptions and accounting policies in accordance with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the projected financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these projected financial statements or the assumptions. Furthermore, even if the Home is able to achieve the hypothetical assumptions as noted in Management's Summary of Significant Projection Assumptions and Accounting Policies on page 5 (the "Hypothetical Assumptions"), there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
July 1, 2021

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INC.**  
**(DBA WHITESTONE)**  
**PROJECTED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS**  
**ASSUMING HYPOTHETICAL ASSUMPTIONS NOTED ON PAGE 5**  
**YEARS ENDING DECEMBER 31,**  
**(000s Omitted)**

|   | 2021             | 2022             | 2023            | 2024            | 2025            |
|---|------------------|------------------|-----------------|-----------------|-----------------|
| <b>REVENUES, GAINS, AND OTHER SUPPORT</b>                 |                  |                  |                 |                 |                 |
| Resident Service Fees - Existing Independent Living Units | \$ 4,564         | \$ 4,707         | \$ 4,915        | \$ 5,092        | \$ 5,245        |
| Resident Service Fees - New Independent Living Units      | -                | -                | 1,166           | 2,964           | 3,534           |
| Assisted Living Revenue                                   | -                | -                | 361             | 1,007           | 1,238           |
| Memory Care Revenue                                       | 960              | 1,015            | 1,046           | 1,077           | 1,109           |
| Healthcare Services Revenue                               | 4,755            | 6,668            | 7,746           | 7,942           | 8,142           |
| Home Health Revenue                                       | 730              | 752              | 774             | 798             | 821             |
| Other Revenue   | 17               | 23               | 60              | 69              | 72              |
| Amortization of Earned Entrance Fees                      | 2,057            | 2,119            | 2,612           | 3,338           | 3,680           |
| Contributions   | 1,200            | 1,212            | 1,224           | 1,236           | 1,249           |
| Investment Income   | 302              | 274              | 337             | 325             | 400             |
| Net Assets Released from Restrictions for Operations      | 80               | 80               | 80              | 80              | 80              |
| Contribution Revenue - Paycheck Protection Program        | 1,434            | -                | -               | -               | -               |
| <b>Total Revenue, Gains, and Other Support</b>            | <b>16,099</b>    | <b>16,850</b>    | <b>20,321</b>   | <b>23,928</b>   | <b>25,570</b>   |
| <b>EXPENSES</b>   |                  |                  |                 |                 |                 |
| Resident Care   | 6,423            | 6,986            | 7,777           | 8,002           | 8,225           |
| Dietary   | 2,109            | 2,162            | 3,026           | 3,169           | 3,272           |
| Housekeeping and Laundry                                  | 673              | 693              | 965             | 998             | 1,029           |
| Plant and Maintenance                                     | 1,680            | 1,719            | 2,278           | 2,413           | 2,479           |
| General and Administration                                | 2,239            | 2,298            | 2,921           | 3,198           | 3,336           |
| Insurance   | 232              | 270              | 323             | 332             | 343             |
| Management Fees   | 531              | 546              | 624             | 739             | 788             |
| Project Marketing Costs                                   | 306              | 342              | 394             | 117             | 94              |
| Interest  | 1,123            | 1,088            | 4,508           | 4,235           | 4,088           |
| Interest- Amortization of Issuance Costs                  | 92               | 92               | 92              | 92              | 92              |
| Interest- Amortization of Bond Premium                    | (159)            | (159)            | (159)           | (159)           | (159)           |
| Depreciation  | 1,863            | 2,040            | 3,896           | 4,118           | 4,308           |
| Amortization of Deferred Costs                            | 4                | 4                | 4               | 4               | 4               |
| <b>Total operating expenses</b>                           | <b>17,116</b>    | <b>18,081</b>    | <b>26,649</b>   | <b>27,258</b>   | <b>27,899</b>   |
| <b>Change in Net Assets Without Donor Restrictions</b>    | <b>(1,017)</b>   | <b>(1,231)</b>   | <b>(6,328)</b>  | <b>(3,330)</b>  | <b>(2,329)</b>  |
| <b>NET ASSETS WITH DONOR RESTRICTIONS</b>                 |                  |                  |                 |                 |                 |
| Investment Income on Donor-Restricted Funds               | 80               | 80               | 80              | 80              | 80              |
| Net Assets Released From Donor Restrictions               | (80)             | (80)             | (80)            | (80)            | (80)            |
| <b>Change in Net Assets With Donor Restrictions</b>       | <b>-</b>         | <b>-</b>         | <b>-</b>        | <b>-</b>        | <b>-</b>        |
| <b>Change in Net Assets</b>                               | <b>(1,017)</b>   | <b>(1,231)</b>   | <b>(6,328)</b>  | <b>(3,330)</b>  | <b>(2,329)</b>  |
| <b>Net Assets, Beginning of Year</b>                      | <b>16,080</b>    | <b>15,063</b>    | <b>13,832</b>   | <b>7,504</b>    | <b>4,174</b>    |
| <b>NET ASSETS, END OF YEAR</b>                            | <b>\$ 15,063</b> | <b>\$ 13,832</b> | <b>\$ 7,504</b> | <b>\$ 4,174</b> | <b>\$ 1,845</b> |

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

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INC.**  
**(DBA WHITESTONE)**  
**PROJECTED STATEMENTS OF CASH FLOWS**  
**ASSUMING HYPOTHETICAL ASSUMPTIONS NOTED ON PAGE 5**  
**YEARS ENDING DECEMBER 31,**  
**(000s Omitted)**

|  | 2021             | 2022             | 2023             | 2024             | 2025             |
|--|------------------|------------------|------------------|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                  |                  |                  |                  |                  |
| Change in Net Assets   | \$ (1,017)       | \$ (1,231)       | \$ (6,328)       | \$ (3,330)       | \$ (2,329)       |
| Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities: |                  |                  |                  |                  |                  |
| Earned Entrance Fees   | (2,057)          | (2,119)          | (2,612)          | (3,338)          | (3,680)          |
| Entrance Fees Received from Turnover, Net of Refunds                                       | 2,433            | 2,865            | 3,431            | 4,134            | 4,548            |
| Depreciation   | 1,863            | 2,040            | 3,896            | 4,118            | 4,308            |
| Amortization of Deferred Costs   | 4                | 4                | 4                | 4                | 4                |
| Amortization of Bond Issuance Costs Included in Interest Expense                           | 92               | 92               | 92               | 92               | 92               |
| Amortization of Bond Premium   | (159)            | (159)            | (159)            | (159)            | (159)            |
| (Increase) Decrease in Current Assets:   |                  |                  |                  |                  |                  |
| Accounts Receivable  | 49               | (117)            | (159)            | (158)            | (67)             |
| Accounts Receivable, Other   | 56               | (59)             | (79)             | (79)             | (33)             |
| Prepaid Expenses   | (3)              | (18)             | (72)             | (15)             | (13)             |
| Increase (Decrease) in Current Liabilities:  |                  |                  |                  |                  |                  |
| Accounts Payable   | (612)            | 113              | 451              | 90               | 82               |
| Accrued Payroll  | 223              | 52               | 208              | 41               | 38               |
| Accrued Interest   | 18               | (4)              | (75)             | (45)             | (10)             |
| Change in Refundable Advance - Paycheck Protection Program                                 | (1,434)          | -                | -                | -                | -                |
| Net Cash Provided by (Used In) Operating Activities  | (544)            | 1,459            | (1,402)          | 1,355            | 2,781            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                  |                  |                  |                  |                  |
| (Purchase) Sale of Investments   | 1,891            | (185)            | 2,542            | (6,757)          | (525)            |
| Net Purchases of Property and Equipment  | (26,421)         | (27,115)         | (900)            | (951)            | (974)            |
| Interest Costs Capitalized in Property and Equipment                                       | (3,417)          | (3,505)          | -                | -                | -                |
| Net Change in Assets Limited as to Use   | 1,105            | (184)            | (6,316)          | 4,452            | (149)            |
| Net Cash Used in Investing Activities  | (26,842)         | (30,989)         | (4,674)          | (3,256)          | (1,648)          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                  |                  |                  |                  |                  |
| Initial Entrance Fee Receipts  | -                | -                | 11,476           | 5,191            | -                |
| Principal Payments on Long-Term Debt   | (315)            | (325)            | (11,816)         | (2,739)          | (1,065)          |
| Net Cash Used in Financing Activities  | (315)            | (325)            | (340)            | 2,452            | (1,065)          |
| <b>NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>                           | <b>(27,701)</b>  | <b>(29,855)</b>  | <b>(6,416)</b>   | <b>551</b>       | <b>68</b>        |
| <b>Cash, Cash Equivalents, and Restricted Cash, Beginning of Year</b>                      | <b>77,059</b>    | <b>49,358</b>    | <b>19,503</b>    | <b>13,087</b>    | <b>13,638</b>    |
| <b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR</b>                            | <b>\$ 49,358</b> | <b>\$ 19,503</b> | <b>\$ 13,087</b> | <b>\$ 13,638</b> | <b>\$ 13,706</b> |
| <b>RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>                       |                  |                  |                  |                  |                  |
| Cash and Cash Equivalents  | \$ 2,811         | \$ 2,956         | \$ 4,188         | \$ 4,259         | \$ 4,342         |
| Restricted Cash in Assets Limited as to Use  | 46,547           | 16,547           | 8,899            | 9,379            | 9,364            |
| Total Cash, Cash Equivalents, and Restricted Cash  | \$ 49,358        | \$ 19,503        | \$ 13,087        | \$ 13,638        | \$ 13,706        |
| Supplemental Disclosure of Cash Flow Information:  |                  |                  |                  |                  |                  |
| Cash Paid for Interest   | \$ 4,522         | \$ 4,597         | \$ 4,583         | \$ 4,280         | \$ 4,098         |

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

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INC.**  
**(DBA WHITESTONE)**  
**PROJECTED BALANCE SHEETS**  
**ASSUMING HYPOTHETICAL ASSUMPTIONS NOTED ON PAGE 5**  
**AT DECEMBER 31,**  
**(000s Omitted)**

| ASSETS  | 2021              | 2022              | 2023              | 2024              | 2025              |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>CURRENT ASSETS</b>                                       |                   |                   |                   |                   |                   |
| Cash and Cash Equivalents                                   | \$ 2,811          | \$ 2,956          | \$ 4,188          | \$ 4,259          | \$ 4,342          |
| Accounts Receivable   | 604               | 721               | 880               | 1,038             | 1,105             |
| Accounts Receivable, Other                                  | 302               | 361               | 440               | 519               | 552               |
| Assets Limited as to Use, Current Portion                   | 1,776             | 1,802             | 1,786             | 2,266             | 2,251             |
| Prepaid Expenses and Other Assets                           | 311               | 329               | 401               | 416               | 429               |
| <b>Total Current Assets</b>                                 | <b>5,804</b>      | <b>6,169</b>      | <b>7,695</b>      | <b>8,498</b>      | <b>8,679</b>      |
| <b>INVESTMENTS AND OTHER ASSETS</b>                         |                   |                   |                   |                   |                   |
| Investments   | 8,393             | 8,578             | 6,036             | 12,793            | 13,318            |
| Assets Limited as to Use, Net of Current Portion            |                   |                   |                   |                   |                   |
| Statutory Operating Reserve                                 | 2,734             | 2,918             | 9,234             | 4,782             | 4,931             |
| Board-Designated Investments to Refund Advance Fees         | 863               | 863               | 863               | 863               | 863               |
| Donor-Designated for Benevolence Assistance                 | 938               | 938               | 938               | 938               | 938               |
| Restricted Cash for Residents                               | 261               | 261               | 261               | 261               | 261               |
| Restricted Cash for Admission Payments                      | 953               | 953               | 953               | 953               | 953               |
| Project Fund  | 29,420            | 2,899             | -                 | -                 | -                 |
| Funded Interest Fund  | 8,238             | 4,733             | -                 | -                 | -                 |
| Debt Service Reserve Funds                                  | 6,854             | 6,854             | 6,854             | 6,854             | 6,854             |
| Bond Fund   | 1,776             | 1,802             | 1,786             | 2,266             | 2,251             |
| <b>Total Assets Limited as to Use</b>                       | <b>52,037</b>     | <b>22,221</b>     | <b>20,889</b>     | <b>16,917</b>     | <b>17,051</b>     |
| Less: Current Portion                                       | (1,776)           | (1,802)           | (1,786)           | (2,266)           | (2,251)           |
| <b>Total Assets Limited as to Use, Less Current Portion</b> | <b>50,261</b>     | <b>20,419</b>     | <b>19,103</b>     | <b>14,651</b>     | <b>14,800</b>     |
| Assets in Split-Interest Agreements                         | 4,097             | 4,097             | 4,097             | 4,097             | 4,097             |
| Deferred Costs, Net   | 70                | 66                | 62                | 58                | 54                |
| <b>Total Investments and Other Assets</b>                   | <b>62,821</b>     | <b>33,160</b>     | <b>29,298</b>     | <b>31,599</b>     | <b>32,269</b>     |
| <b>PROPERTY AND EQUIPMENT, NET</b>                          |                   |                   |                   |                   |                   |
| Property and Equipment                                      | 91,907            | 122,527           | 123,427           | 124,378           | 125,352           |
| Less: Accumulated Depreciation                              | (26,405)          | (28,445)          | (32,341)          | (36,459)          | (40,767)          |
| <b>Net Property and Equipment</b>                           | <b>65,502</b>     | <b>94,082</b>     | <b>91,086</b>     | <b>87,919</b>     | <b>84,585</b>     |
| <b>Total Assets</b>   | <b>\$ 134,127</b> | <b>\$ 133,411</b> | <b>\$ 128,079</b> | <b>\$ 128,016</b> | <b>\$ 125,533</b> |
| <b>Liabilities and Net Assets</b>                           |                   |                   |                   |                   |                   |
| <b>CURRENT LIABILITIES</b>                                  |                   |                   |                   |                   |                   |
| Accounts Payable  | \$ 1,944          | \$ 2,057          | \$ 2,508          | \$ 2,598          | \$ 2,680          |
| Accrued Expenses  | 894               | 946               | 1,154             | 1,195             | 1,233             |
| Accrued Interest Payable                                    | 592               | 588               | 513               | 468               | 458               |
| Refundable Advance Fees, Current                            | 722               | 722               | 722               | 722               | 722               |
| Current Portion of Long-Term Debt                           | 325               | 340               | 1,025             | 1,065             | 1,110             |
| <b>Total Current Liabilities</b>                            | <b>4,477</b>      | <b>4,653</b>      | <b>5,922</b>      | <b>6,048</b>      | <b>6,203</b>      |
| <b>DEFERRED REVENUE AND OTHER LIABILITIES</b>               |                   |                   |                   |                   |                   |
| Deferred Revenue from Advance Fees                          | 12,166            | 11,748            | 22,034            | 26,945            | 27,149            |
| Refundable Advance Fees                                     | 4,085             | 5,249             | 7,258             | 8,334             | 8,998             |
| Deposits on Unoccupied Units                                | 980               | 980               | 980               | 980               | 980               |
| Long-Term Accounts Payable                                  | 40                | 40                | 40                | 40                | 40                |
| Resident Trust Funds Payable                                | 268               | 268               | 268               | 268               | 268               |
| <b>Total Deferred Revenue and Other Liabilities</b>         | <b>17,539</b>     | <b>18,285</b>     | <b>30,580</b>     | <b>36,567</b>     | <b>37,435</b>     |
| <b>LONG-TERM DEBT</b>                                       |                   |                   |                   |                   |                   |
| Long-Term Debt, Net of Current Portion                      | 95,370            | 95,030            | 82,529            | 79,750            | 78,640            |
| Deferred Financing Costs                                    | (2,307)           | (2,215)           | (2,123)           | (2,031)           | (1,939)           |
| Unamortized Bond Premium                                    | 3,985             | 3,826             | 3,667             | 3,508             | 3,349             |
| <b>Net Long-Term Debt</b>                                   | <b>97,048</b>     | <b>96,641</b>     | <b>84,073</b>     | <b>81,227</b>     | <b>80,050</b>     |
| <b>Total Liabilities</b>                                    | <b>119,064</b>    | <b>119,579</b>    | <b>120,575</b>    | <b>123,842</b>    | <b>123,688</b>    |
| <b>NET ASSETS</b>   |                   |                   |                   |                   |                   |
| Net Assets Without Donor Restrictions                       | 9,752             | 8,521             | 2,193             | (1,137)           | (3,466)           |
| Net Assets With Donor Restrictions                          | 5,311             | 5,311             | 5,311             | 5,311             | 5,311             |
| <b>Total Net Assets</b>                                     | <b>15,063</b>     | <b>13,832</b>     | <b>7,504</b>      | <b>4,174</b>      | <b>1,845</b>      |
| <b>Total Liabilities and Net Assets</b>                     | <b>\$ 134,127</b> | <b>\$ 133,411</b> | <b>\$ 128,079</b> | <b>\$ 128,016</b> | <b>\$ 125,533</b> |

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

## **Introduction and Background Information**

### **Basis of Presentation**

The accompanying financial projection presents, to the best of the knowledge and belief of management of Masonic and Eastern Star Home of North Carolina, Inc. (dba Whitestone) (the “Home” or “Whitestone”) and the Home’s third party manager, Life Care Services, LLC (the “Manager”) (collectively, “Management”) the expected financial position, results of operations and changes in net assets and cash flows as of and for each of the five years ending December 31, 2025 (the “Projection Period”).

Accordingly, the projection reflects Management’s judgment as of July 1, 2021, the date of this projection, of the expected conditions and its expected course of action. The assumptions disclosed herein are the assumptions which Management believes are significant to the financial projection.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services Committee of the AICPA. We did not examine or review the financial projection nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by Management. Accordingly, we do not express an opinion, a conclusion, or provide any form of assurance on this financial projection. Furthermore, even if the following hypothetical assumptions (the Hypothetical Assumptions”) occur during the Projection Period, there will usually be differences between the prospective and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

**Hypothetical Assumptions** – A hypothetical assumption is an assumption used in a financial projection to present a condition or course of action that may not occur as expected, but is consistent with the purpose of presentation.

Management has prepared its financial projection with the following hypothetical assumptions:

- Construction, development, marketing and other related costs for the Project (as defined hereinafter) occur in the assumed timeline and at the assumed costs;
- The Project New Independent Living Units and New Assisted Living Units (as defined hereinafter) are marketed and occupied at the assumed occupancy levels and disclosed fees;
- Management operates its Project as projected;
- The World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to Whitestone, COVID-19 may impact various parts of its operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. The full impact of COVID-19 is unknown and cannot be reasonably estimated as of the date of this Projection, and Management has not projected that its access to labor would be materially adversely impacted by COVID-19; however:
  - Management has projected approximately \$485,000 and \$30,000 of COVID-19 related expenses in 2021 and 2022.
  - Management has projected that its nursing occupancies would recover to historical operating levels during the years 2021 and 2022.
  - Management has projected receiving forgiveness in the amount of \$1,434,400 related to funds received in fiscal year 2020 related to the Paycheck Protection Program from the Coronavirus Aid, Relief, and Economic Security (CARES) Act.



**Introduction and Background Information (continued)**

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

**Background**

The Home is a North Carolina nonprofit corporation formed in 1910 for the purpose of owning and operating a life plan community (“LPC”), known as Whitestone (the “Community”) in Greensboro, North Carolina. The Community opened in 1913 and is licensed by the North Carolina Department of Insurance.

The Community is located on approximately 42 acres and currently consists of 148 independent living apartments, cottages and homes (the “Existing Independent Living Units”), 12 memory care beds (the “Existing Memory Care Beds”), and an 88-bed nursing facility (the “Skilled Nursing Beds”), along with supportive common areas. The Community offers a modified lifecare or “Type B” contract in which residents transferring through the continuum of care receive priority access to memory care or skilled nursing care and 30 free annual days of care (non-cumulative) at the Community.

Whitestone offers three entrance fee plan types: (1) the “Traditional Plan”, (2) the “50% Return of Capital” entrance fee plan, and (3) the “90% Return of Capital” entrance fee plan.

The following table summarizes the type, number, approximate square footage, monthly service fees and entrance fees for the Existing Independent Living Units, in fiscal year 2021 dollars.

**Introduction and Background Information (continued)**

**Table 1**  
**Existing Independent Living Units**  
**Type, Number, Square Footage, and Fees in 2021 Dollars**

| Independent Living            | Type                  | Number of Units <sup>(2)</sup> | Square Feet | Monthly Fee <sup>(3)</sup> | Entrance Fee Plans <sup>(1)</sup> |   |   |
|-------------------------------|-----------------------|--------------------------------|-------------|----------------------------|-----------------------------------|---|---|
|                               |                       |                                |             |                            | Traditional Plan                  | 50% Return of Capital Entrance Fee Plan | 90% Return of Capital Entrance Fee Plan |
| <i>Apartments</i>             |                       |                                |             |                            |                                   |   |   |
| Bennette                      | Studio <sup>(4)</sup> | 4                              | 144         | \$ 2,749                   | \$ 54,400                         | \$ 78,400                               | \$ 100,400                              |
| Latham Plus                   | Studio <sup>(4)</sup> | 2                              | 165         | 2,749                      | 72,500                            | 104,500                                 | 134,600                                 |
| Bennette                      | One Bedroom           | 16                             | 375         | 3,353                      | 88,000                            | 127,300                                 | 163,600                                 |
| Latham                        | One Bedroom           | 3                              | 375         | 3,353                      | 103,500                           | 149,100                                 | 191,500                                 |
| Linville                      | One Bedroom           | 7                              | 375         | 3,353                      | 103,500                           | 149,100                                 | 191,500                                 |
| Alamance                      | One Bedroom           | 12                             | 844         | 2,815                      | 163,600                           | 240,400                                 | 309,100                                 |
| Caswell                       | One Bedroom           | 13                             | 968         | 3,088                      | 191,500                           | 276,400                                 | 355,000                                 |
| Davidson                      | One Bedroom           | 3                              | 1,058       | 3,272                      | 207,500                           | 305,300                                 | 392,300                                 |
| Forsyth                       | Two Bedroom           | 9                              | 1,162       | 3,454                      | 227,700                           | 318,800                                 | 410,800                                 |
| Guilford                      | Two Bedroom           | 3                              | 1,252       | 3,525                      | 246,900                           | 344,700                                 | 457,500                                 |
| Randolph                      | Two Bedroom           | 6                              | 1,299       | 3,634                      | 258,800                           | 362,900                                 | 466,200                                 |
| Total Apartments              |                       | 78                             | 751         | \$ 3,216                   | \$ 156,713                        | \$ 224,679                              | \$ 289,377                              |
| <i>Cottages/Homes/Villas:</i> |                       |                                |             |                            |                                   |   |   |
| One Bedroom Cottage           |                       | 8                              | 850         | \$ 2,608                   | \$ 124,200                        | \$ 179,100                              | \$ 230,300                              |
| Two Bedroom Cottage           |                       | 8                              | 950         | 2,855                      | 145,000                           | 209,200                                 | 269,100                                 |
| Phase I Homes                 |                       | 48                             | 1,895       | 3,228                      | 294,000                           | 432,100                                 | 555,800                                 |
| Piedmont II Villa             |                       | 4                              | 1,875       | 3,228                      | 294,000                           | 432,100                                 | 555,800                                 |
| Piedmont Villa                |                       | 2                              | 1,895       | 3,228                      | 294,000                           | 432,100                                 | 555,800                                 |
| Total Cottages/Homes/Villas   |                       | 70                             | 1,666       | \$ 3,115                   | \$ 257,566                        | \$ 377,711                              | \$ 485,834                              |
| Total / Weighted Average      |                       | 148                            | 1,184       | \$ 3,168                   | \$ 204,414                        | \$ 297,059                              | \$ 382,296                              |
| <i>Second Person Fees</i>     |                       |                                |             | \$507 - \$637              | n/a                               | n/a                                     | n/a                                     |

Source: Management

Notes:

- (1) Entrance fees for the 50% Return of Capital Plan are estimated based on an approximate 45% premium compared to the Traditional Plan entrance fees. The 90% Return of Capital Plan entrance fees are estimated based on an approximate 87% premium compared to the Traditional Plan.
- (2) One Latham Plus Studio unit and one Latham One Bedroom unit are currently offline for office use.
- (3) Monthly service fees for Existing Independent Living Unit apartments include three meals per day, weekly housekeeping and maintenance. Monthly service fees for independent living cottages, homes, and villas include one meal per day.
- (4) Studio unit square footages reflect room size only and not the shared bath.

**Introduction and Background Information (continued)**

The following table summarizes the unit types, approximate square footage and the daily fees (“Daily Fees” for the Existing Memory Care Beds and Skilled Nursing Beds.

**Table 2**  
**Existing Memory Care Beds and Skilled Nursing Beds Configuration**  
**Number, Square Footage, and Daily Fees in 2021 Dollars**

|   | Number of Beds | Square Footage | Daily Fees <sup>(1)(2)(3)</sup> |
|---|----------------|----------------|---------------------------------|
| <i>Existing Memory Care Beds:</i>                     |                |                |                                 |
| Private   | 8              | 308            | \$ 253                          |
| Semi-Private  | 4              | 304            | \$ 229                          |
| <b>Total Existing Memory Care Beds <sup>(4)</sup></b> | <b>12</b>      | <b>307</b>     | <b>\$ 245</b>                   |
| <i>Skilled Nursing Beds:</i>                          |                |                |                                 |
| Private   | 16             | 305            | \$ 333                          |
| Semi-Private  | 72             | 338            | \$ 275                          |
| <b>Total Skilled Nursing Beds</b>                     | <b>88</b>      | <b>332</b>     | <b>\$ 286</b>                   |

Source: Management

Notes:

- (1) Management assumes the average insurance, Medicare and Medicaid per diem is approximately \$367, \$498, and \$153, respectively.
- (2) Each Resident receives 30 annual days of care in memory care or skilled nursing. Once a Resident uses the 30 annual days, they then pay the per diem rates listed.
- (3) The Existing Memory Care Beds are assumed to transfer to the new assisted living building in January 2023.

**The Project**

Management is planning an expansion and campus repositioning project to consist of the construction of 67 independent living units (“New Independent Living Units”), 24 assisted living units (“Assisted Living Units”), the relocation of the Existing Memory Care Beds, and the repositioning of the Skilled Nursing Beds from 88 to 82 operating beds (the “Project”). The Existing Memory Care Beds are currently located in the care and wellness building and are to be transferred to the new assisted living building upon completion of the Project.

**Introduction and Background Information (continued)**

The following table shows the New Independent Living Units and Assisted Living Units' configuration and fees in 2021 dollars.

| Unit Type                           | Unit Count | Square Footage | Traditional Plan Entrance Fee <sup>(1)</sup> | 50% Return of Capital Entrance Fee Plan <sup>(1)</sup> | 90% Return of Capital Entrance Fee Plan <sup>(1)</sup> | Monthly Fee     |
|-------------------------------------|------------|----------------|--|--|--|-----------------|
| <b>New Independent Living Units</b> |            |                |  |  |  |                 |
| <i>One Bedroom Units</i>            |            |                |  |  |  |                 |
| Chatham (1 BR Deluxe)               | 10         | 850            | \$ 180,000                                   | \$ 251,000   | \$ 325,000   | \$ 2,600        |
| G (1 BR Deluxe)                     | 1          | 900            | 201,000                                      | 282,000  | 364,000  | 2,950           |
| Wilkes (1 BR Den)                   | 19         | 960            | 214,000                                      | 307,000  | 392,000  | 2,900           |
| <i>Two Bedroom Units</i>            |            |                |  |  |  |                 |
| Iredell (2 BR Traditional)          | 17         | 1,150          | 263,000                                      | 369,000  | 474,000  | 3,200           |
| Yadkin (2 BR Sunroom)               | 10         | 1,295          | 299,000                                      | 419,000  | 539,000  | 3,400           |
| Davie (2BR Den End Unit)            | 8          | 1,391          | 364,000                                      | 477,000  | 603,000  | 3,500           |
| H (2 BR Den End Unit)               | 1          | 1,400          | 370,000                                      | 518,000  | 666,000  | 3,750           |
| Penthouse                           | 1          | 2,032          | 478,000                                      | 675,000  | 854,000  | 4,250           |
| <b>Total / Weighted Average</b>     | <b>67</b>  | <b>1,115</b>   | <b>\$ 258,030</b>                            | <b>\$ 359,657</b>                                      | <b>\$ 460,507</b>                                      | <b>\$ 3,111</b> |
| <i>Second Person Fees</i>           |            |                | <i>n/a</i>                                   | <i>n/a</i>   | <i>n/a</i>   | <b>\$ 1,000</b> |
| <b>Assisted Living Units</b>        |            |                |  |  |  |                 |
| Suites                              | 24         | 503            |  |  |  | \$ 4,635        |
| <b>Total / Weighted Average</b>     | <b>24</b>  | <b>503</b>     |  |  |  | <b>\$ 4,635</b> |

Source: Management

Notes:

- (1) Management anticipates 90 percent of depositors select the Traditional Plan, five percent would choose the 50% Return of Capital Plan and five percent would choose the 90% Return of Capital Plan.

The Existing Independent Living Units and the New Independent Living Units are collectively defined as the "Independent Living Units".

**Introduction and Background Information (continued)**

**Project Timeline**

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

| Event   | Date          |
|---|---------------|
| Project Construction Completed <sup>(1)</sup>                           | December 2022 |
| Assisted Living Units Available for Occupancy                           | January 2023  |
| Existing Memory Care Beds Transferred to Assisted Living Units Building | January 2023  |
| New Independent Living Units Available for Occupancy                    | January 2023  |
| New Independent Living Units Achieve Stabilized Occupancy of 91%        | October 2024  |
| Assisted Living Units Achieve Occupancy of 87.5% <sup>(2)</sup>         | December 2024 |

Source: Management

Notes:

- (1) The Series 2020 Bonds, as defined hereinafter, were issued in September 2020 and construction on the Project began immediately afterwards.
- (2) The Assisted Living Units are assumed to be utilized by residents transferring from the Independent Living Units, with no direct admissions from the surrounding community.

The following table summarizes the anticipated changes to the Community's unit configuration upon Project completion:

| Unit Type                                | Existing   | Removed     | Added      | Net Change | Upon Completion |
|--|------------|-------------|------------|------------|-----------------|
| Independent Living Apartments            | 78         | -           | 67         | 67         | 145             |
| Independent Living Cottages              | 70         | -           | -          | -          | 70              |
| Assisted Living Units                    | -          | -           | 24         | 24         | 24              |
| Existing Memory Care Beds <sup>(1)</sup> | 12         | (12)        | 12         | -          | 12              |
| Skilled Nursing Beds <sup>(2)</sup>      |            |             |            |            |                 |
| Private                                  | 16         | -           | 22         | 22         | 38              |
| Semi-Private                             | 72         | (28)        | -          | (28)       | 44              |
| <b>Total</b>                             | <b>248</b> | <b>(40)</b> | <b>125</b> | <b>85</b>  | <b>333</b>      |

Source: Management

Notes:

- (1) The Existing Memory Care Beds are currently located in the care and wellness building and are to be transferred to the new assisted living building upon completion of the Project.
- (2) While total operational Skilled Nursing Beds will total 82 beds upon Project completion, the Home anticipates maintaining licensure for 88 Skilled Nursing Beds.

## **Introduction and Background Information (continued)**

### **Management and Development Agreement**

The Home and the Manager entered into a Management Agreement (the “Management Agreement”) which is in effect through September 2021. However, the Home or the Manager can terminate the Management Agreement without cause six months after formal notice is given.

Under the Management Agreement, the Manager is responsible for recruiting and employing the Executive Director; supervising the licensing, equipping, and staffing of the Community; preparing annual budgets; establishing and operating a system of financial controls for the Community including comparative analyses with other facilities; and overseeing the food service and quality accommodations provided by the Community. In addition, the Manager is expected to facilitate the Home’s use of the Life Care Services Leads Management System (“LMS”) for relevant marketing efforts, provide training for the Home’s marketing personnel, regularly monitor the occupancy level of the Community, make specific recommendations with regard to marketing procedures and promotions, and arrange for a regular review of the Community marketing program by the Manager’s marketing specialists

For its services under the Management Agreement, the Home is obligated to pay the Manager a monthly management fee of \$47,500 (the “Monthly Management Fee”) and an annual application service provider fee of \$10,000 (the “Application Service Provider Fee”). Management assumes the Management Agreement shall be renewed September 1, 2021 with a 3.0 percent increase and the renewal will be for a period of five years. In addition to the Monthly Management Fee and the Application Service Provider Fee, the Manager is to receive 4.0 percent of the New Independent Living Units and Assisted Living Units revenue each month beginning upon opening of the Project.

The Home and LCS Development LLC (the “Developer”) entered into a Development Agreement (the “Development Agreement”) on March 24, 2017 under which the Developer is expected to provide development consulting services related to the Project. Pursuant to the Development Agreement, the Developer is responsible for the initial occupancy development program of the Project.

For its services under the Development Agreement, the Home is obligated to pay the Developer a development fee of approximately \$2,928,000 (the “Development Fee”). As of December 31, 2020, approximately \$844,000 of the Development Fee had been paid to the Developer. Management has projected that the remaining balance will be paid in approximately equal monthly installments with the final payment occurring upon completion of the Project construction.

### **Description of Residence Agreement**

#### *Reservation Process*

Prospective residents of the Community complete the following process to reserve an Independent Living Unit.

In order to reserve an Independent Living Unit, a prospective resident must execute a residency agreement (“Residency Agreement”), provide recent medical history, provide a self-disclosure of his or her finances and place a deposit equal to 10 percent of the entrance fee (the “10 Percent Deposit”) on the selected Independent Living Unit. The balance of the entrance fee is due on or before the occupancy date (the “Occupancy Date”) of the Independent Living Unit.

### **Introduction and Background Information (continued)**

A prospective resident would sign a reservation agreement (the "Reservation Agreement") and pay the applicable deposit amount ("Depositor"), which shall be held in an escrow account on behalf of the Depositor in accordance with North Carolina General Statute 58-64-35, earn market rate interest and is fully refundable, including the interest earned.

#### *Residency Agreement*

Under the terms of the Residency Agreement (the "Agreement"), the Home generally accepts as residents ("Resident" or "Residents") those persons at least 60 years of age at the time of occupancy (only one member of a couple must meet this requirement) who are able to care for themselves with limited or no assistance and are able to demonstrate the necessary financial resources to meet the Home's minimum fee requirements. As defined in the Agreement, a Resident is required to pay an initial entrance fee and a monthly service fee on an on-going basis. Payment of these amounts entitles a Resident to occupy and use the residence and receive the following services and amenities:

- Standard utilities, except telephone and cable;
- Dining allocation;
- Weekly housekeeping service;
- Building and grounds maintenance;
- Schedule transportation;
- Twenty-four hour emergency response system;
- Security for building and grounds;
- Planned social, recreational, spiritual, educational and cultural activities; and
- Health center services at no charge for up to 30 annual days of care.

In addition to the above services and amenities the Resident is entitled to the use of Community common areas including central dining room, chapel, mailboxes, lounges, lobbies, library, social and recreational rooms, wellness center and other common activities.

Certain services are available to Resident for an additional charge. These services include, but are not limited to:

- Medicine, drugs or other pharmacy services or nursing supplies;
- Optional personal care and assistance services;
- Personal laundry service;
- Private transportation;
- Additional meals over those provided in the monthly service fee;
- Guest meals;
- Guest accommodations; and
- Other additional maintenance and housekeeping services performed beyond the normal scope of services included in the monthly service fee.

#### *Entrance Fee Plan*

According to all three entrance fee plans, the entrance fee is paid upon occupancy. In the event of a cancellation after occupancy, the entrance fee refund shall be paid within 60 days upon receipt of a new entrance fee for the same Independent Living Unit vacated by the Resident, or within 24 months, whichever is sooner. The Corporation offers the following three entrance fee plans.

**Introduction and Background Information (continued)**

| Refund Options                    | Amortization Schedules   |
|-----------------------------------|--|
| Traditional Plan (Non Refundable) | The entrance fee decreases two percent per month for 50 months.  |
| 50% Return of Capital Plan        | The Resident is reimbursed 96 percent of the entrance fee and subsequently decreases two percent per month for 23 months |
| 90% Return of Capital Plan        | The Resident is reimbursed 96 percent of the entrance fee and subsequently decreases two percent per month for 3 months. |

Source: Management

The Home previously offered a contract whereby Residents entering the Community surrendered a portion of their assets and monthly income to the Home (the "Assigned Asset Plan"). During 2004, the board of directors voted to discontinue the Assigned Asset Plan for new residents. As of December 31, 2020, 3 Residents were on the Assigned Asset Plan.

***Health Care Benefit***

If a Resident is unable to live independently within the range of the services provided in the Independent Living Unit, as determined by the staff in appropriate consultation with the medical director of the Community and in conjunction with the Resident's physician and family, the Resident will be transferred to an Existing Memory Care Bed, Assisted Living Unit or a Skilled Nursing Bed, on either a temporary or permanent basis.

Each Resident is entitled to receive 30 days of care in the health center (to receive assisted living, skilled nursing care, or specialized care for dementia or related disorders) at no extra charge, except for the costs of physician services and ancillary health services and supplies as outlined in the Residency Agreement. Such 30 days are non-cumulative and renew on an annual basis. After the 30 days of care each year, the Resident is required to pay the per diem rate for care in the health center, as well as the Independent Living Unit monthly service fee. If it is determined that the Resident requires permanent care in a health center, the Resident shall be required to surrender his or her residence for occupancy by another Resident. Once the residence is surrendered, the Resident will no longer be required to pay the Independent Living Unit monthly service fee.

***Terminations and Refunds***

The Resident may terminate the Agreement within thirty (30) days of execution of the Agreement or the receipt of a Disclosure Statement that meets the requirement of N.C.G.S. 58-64-20 (the "30-Day Rescission Period"). The Resident will not be required to move into an Independent Living Unit before the expiration of this 30-Day Rescission Period. In the event of rescission, the Resident shall receive a refund of all monies transferred less (i) periodic charges specified in the Agreement and applicable only to the period a Independent Living Unit was actually occupied by the Resident; and (ii) any non-standard costs specifically incurred by the Home at the Resident's request and described in the Agreement or any amendment signed by the Resident.

The Resident may also voluntarily terminate the Agreement after the 30-Day Rescission Period, and prior to the date of occupancy, provided that the Resident gives written notice of such termination. Any such



**Introduction and Background Information (continued)**

refund paid will equal the portion of the entrance fee paid by the Resident less a service charge equal to the greater of \$1,000 or two percent of the entrance fee. Any such refunds as described above will be paid by the Home within sixty (60) days following the receipt of written notification of such termination.

Following expiration of the 30-Day Rescission Period and after the Resident's occupancy of the Independent Living Unit, the Agreement may be terminated at any time by the Resident by providing written notice. The amount of refund due would be the entrance fee paid, less four percent of the entrance fee for the Return- of-Capital Plans and less two percent (2%) per month of occupancy until the refund amount is reached.

Any such refund due would be made within sixty (60) days of termination if a new entrance fee for the same Independent Living Unit vacated by the Resident is paid, or within 24 months, whichever is sooner.

*Services Provided for in the Skilled Nursing Beds*

Skilled Nursing Beds Residents receive comprehensive 24-hour nursing services, special activity programs, social service programs, housekeeping and three meals a day.

## **Summary of Significant Accounting Policies**

### **Basis of Accounting**

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

### **Use of Estimates**

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

### **Cash and Cash Equivalents**

For purposes of reporting cash flows, the Home considers cash accounts and highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents exclude money market accounts and mutual funds held in broker or trust accounts since they represent investment proceeds that will be reinvested in allowable investments of the Home. Restricted cash is included with cash and cash equivalents in the projected statements of cash flows.

### **Accounts Receivable**

The Home records accounts receivable at amounts expected to be collected from residents. The Home determines past-due status of individual accounts receivable based on the contractual terms of the original contract (or based on how recently payments have been made, for example). The Home estimates an allowance for doubtful accounts based on a combination of factors, including the Home's historical loss experience and any anticipated effects related to current economic conditions, and management's knowledge of the current composition of accounts receivable. Accounts receivable that management believes to be ultimately not collectible are written off upon such determination.

### **Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Pooled fund investments are reflected at fair value based on the net asset value per share of the investment, as a practical expedient. Changes in the fair value of investments, including both realized and unrealized gains and losses, are included in the accompanying statement of operations and statement of changes in net assets. In determining realized gains and losses, the cost of investments is determined using the specific-identification method.

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

Assets limited as to use include assets set aside by the board of directors to meet North Carolina General Statute operating reserve requirements, deposits held in trust, and assets held by trustees under indenture agreements. Amounts required to meet current liabilities of the Home have been classified as current assets in the projected balance sheets.

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

### **Assets Limited as to Use (continued)**

Reserves required by state statute represent an amount set aside to meet the requirements of North Carolina General Statute Chapter 58, Article 64. Under this legislation, the Home is required to maintain an operating reserve at least equal to 25% (50% if occupancy is less than 90%) of the current year's projected operating costs as defined by the statute.

Total operating costs shall include operating expenses plus debt service less depreciation and amortization on bond issuance costs, premiums and deferred costs, and revenue associated with noncontractual expenses. The operating reserve can only be released upon the submittal of a detailed request from the Home and must be approved by the North Carolina Department of Insurance.

Deposits held in trust include resident trust funds held by the Home on behalf of residents. Funds are provided to the resident or used to pay bills at the direction of the resident or responsible party. The funds are recorded as both an asset and a liability. Deposits held in trust also include deposits on unoccupied units. The deposits are held in trust until the prospective resident moves into the Home's facility. These funds are also recorded as an asset and liability.

### **Deferred Costs**

The costs associated with the acquisition of new contract of an expansion project are being deferred and will be amortized using the average life expectancy of the initial occupants of the facility. Deferred financing costs relating to the financing of the facility are reported as a direct reduction from the carrying amount of that debt and are amortized over the life of the associated bonds.

### **Assets in Split-Interest Agreements**

The Home has beneficial interest in several irrevocable, unconditional split-interest agreements, which are all administered by third parties and for which the Home has lead or remainder interests. The Home has the irrevocable right to receive a share of income from the assets of these trusts. These assets are stated at the fair value of the Home's net asset value per share of trust assets, which is an approximation of the present value of the estimated future distributions from the trusts and have been recorded as net assets with donor restrictions based on restrictions associated with related trust agreements. Income distributions to the Home are included in investment income in net assets without donor restrictions. The change in the value of the beneficial interest is recorded as the change in the value of split-interest agreements in net assets with donor restrictions related to their respective trusts. Management has not projected any change in assets in split-interest agreements during the Projection Period.

### **Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation. Depreciation is determined by the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years. The Home 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 an asset may not be recoverable. For assets to be held, impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. For assets to be disposed of, impairment is determined to exist if the estimated net realizable value is less than the carrying amount.

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

### **Net Assets**

The Home classifies its funds for accounting and reporting purposes as either without donor restrictions or with donor restrictions:

*Net Assets Without Donor Restrictions* – All revenue not restricted by donors, unrestricted contributions designated by the board, and donor-restricted contributions whose restrictions are met in the same period in which they are received are accounted for as net assets without donor restrictions.

*Net Assets With Donor Restrictions* – All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. The investment income arising from endowment funds, if any, are accounted for in accordance with donor stipulations. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Those resources for which the restrictions are met in the same fiscal year they are received are included in net assets without donor restrictions.

### **Deferred Revenue from Advance Fees**

Fees paid by a resident upon entering into a continuing care or independent living contract, that are not subject to refunding provisions, are recorded as deferred revenue and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident.

### **Refundable Advance Fees**

Refundable Advance Fees are estimated entrance fee refunds due to Residents based upon the defined terms of the respective Residency Agreement. Independent residents choose the option of refundability from the following three options: (a) the Traditional Plan, (b) 50% Return of Capital entrance fee plan or (c) 90% Return of Capital entrance fee plan. In the Traditional Plan, no refund of the entrance fee will be paid to the resident after 50 months of occupancy. In the 50% Return of Capital entrance fee plan, the refund will not be less than 50% of the entrance fee. In the 90% Return of Capital entrance fee plan, the refund will not be less than 90% of total entrance fee. In addition to the entrance fee, monthly maintenance fees are also charged based on the unit selected. The estimated amount of the contractual refund obligations that are expected to be refunded in a subsequent year are classified as a current liability on the projected balance sheet. The refundable portion of entrance fees paid by a Resident is recorded as a long-term liability on the projected balance sheet.

### **Obligation to Provide Future Services**

The Home annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income.

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

### **Obligation to Provide Future Services (continued)**

The obligation is discounted at 5%, based on the expected long-term rate of return on government obligations. The Home computes this liability by estimating the cost per year per resident at the current level of care for each resident (skilled/intermediate care or residential care). This cost is multiplied by the future life expectancy of each resident based upon actuarially computed tables and increased for an estimated inflation factor of 3% per annum. Management has not projected any obligation to provide future services during the Projection Period.

### **Refundable Advance**

In April 2020, the Home received proceeds in the amount of \$1,434,400 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The PPP Loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the CARES Act. Therefore at December 31, 2020, the Home had classified this loan as a conditional contribution for accounting purposes. As of December 31, 2020, the Home had submitted their application for forgiveness; however, they had received formal SBA approval of their forgiveness. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender. If the SBA determines that a portion of the PPP Loan proceeds will not be forgiven, the Home would be obligated to repay those funds to the SBA at an interest rate of 1% over a period of two years. Upon forgiveness being granted, the amount forgiven will be recognized as contribution income. In 2021, the Home received formal forgiveness on the entire amount of the PPP loan and as such, Management has projected \$1,434,400 of contribution revenue on the projected statement of operations and changes in net assets.

### **Resident Service and Health Care Revenues**

Resident service and health care revenues are reported at the amount that reflects the consideration to which the Home expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Home bills the residents and third-party payors several days after the services are performed. Service fees paid by residents for maintenance, meals, and other services are assessed monthly and are recognized as revenue in the period services are rendered. Revenue is recognized as performance obligations are satisfied.

The Home generates revenues, primarily by providing housing, amenities (recreational, dining, etc.) and access to health care services to its residents. The various life care contract streams of revenue are recognized as follows:

#### **Entrance Fees**

The nonrefundable entrance fees received are recognized as deferred revenue upon receipt of the payment under the life care contract and included in liabilities in the projected balance sheets until the performance obligations are satisfied. These deferred amounts are then amortized on a straight-line basis into revenue on a monthly basis over the life of the resident as the performance obligation is associated with access to future services. The refundable portion of an entrance fee is not considered part of the transaction price and as such is recorded as a liability in the projected balance sheets.

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

Health Care Services

The Home also provides assisted and nursing care to residents who are covered by government and commercial payers. The Home is paid fixed rates from government and commercial payers. These fixed rates are billed in arrears monthly when the service is provided. The monthly fees represent the most likely amount to be received from the third-party payors.

Monthly Service Fees

The life care contracts that residents select require an advanced fee and monthly fees based upon the type of space they are applying for. Resident monthly service fee revenue for recurring and routine monthly services is generally billed monthly in advance. Payment terms are usually due within 30 days. The services provided encompass social, recreational, dining along with assisted living and nursing care and these performance obligations are earned each month. Resident fee revenue for nonroutine or additional services are billed monthly in arrears and recognized when the service is provided.

Performance obligations are determined based on the nature of the services provided by the Home. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Home believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facilities receiving skilled nursing services or housing residents receiving services in the facilities. The Home considers daily services provided to residents of the skilled nursing facilities and monthly rental for housing services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter.

Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our residents and customers in a retail setting (for example, gift shop and cafeteria meals) and the Home does not believe it is required to provide additional goods or services related to that sale.

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

The Home determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors and/or implicit price concessions provided to residents. The Home determines its estimates of contractual adjustments based on contractual agreements, its policy, and historical experience. The Home determines its estimate of implicit price concessions based on its historical collection experience.

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

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

Medicare and Medicaid

The Home's licensed nursing facility participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS) and payment occurs under the Patient Driven Payment Model (PDPM). Under PDPM, therapy minutes are removed as the primary basis for payment and instead use the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

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

The Home's licensed nursing facility participates in the Medicaid program which is administered by the North Carolina Division of Health Benefits. Services rendered to Medicaid program beneficiaries are reimbursed using predetermined per diem rate as defined for each Medicaid provider in North Carolina. Annual cost report filings are required for Medicaid providers, which include the completion of the North Carolina Division of Health Benefit's supplemental schedules. For Continuing Care Retirement Facilities, the Supplemental Schedules do not contain a cost settlement.

Other

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

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

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

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense.

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

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

**Income Taxes**

The Home is a nonprofit organization exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3).

The Home files as a tax-exempt organization. Management is not aware of any activities that would jeopardize the tax-exempt status of the Home. Management is not aware of any significant activities that are subject to tax on unrelated business income or excise or other taxes for the Home.

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



**Management’s Basis for the Projection of Revenues**

**Revenues**

*Independent Living Unit Revenue*

Service fee revenue for Residents living in the Independent Living Units is based upon the assumed occupancy and the monthly service fee of the respective units. The Independent Living Unit monthly service fees are assumed to increase 3.0 percent annually during the Projection Period.

The following table summarizes the assumed utilization of the Existing Independent Living Units and New Independent Living Units during the Projection Period:

| Years Ending December 31, | Existing Independent Living Units |                         |                   | New Independent Living Units |                         |                   | Total Independent Living Unit Occupancy |
|---------------------------|-----------------------------------|-------------------------|-------------------|------------------------------|-------------------------|-------------------|---|
|                           | Average Units Occupied            | Average Units Available | Average Occupancy | Average Units Occupied       | Average Units Available | Average Occupancy |   |
| 2021                      | 137.0                             | 148.0                   | 92.6%             | -                            | -                       | 0.0%              | 92.6%                                   |
| 2022                      | 137.0                             | 148.0                   | 92.6%             | -                            | -                       | 0.0%              | 92.6%                                   |
| 2023 <sup>(1)</sup>       | 138.8                             | 148.0                   | 93.8%             | 22.0                         | 67.0                    | 32.8%             | 74.8%                                   |
| 2024                      | 139.5                             | 148.0                   | 94.3%             | 54.3                         | 67.0                    | 81.0%             | 90.1%                                   |
| 2025                      | 139.5                             | 148.0                   | 94.3%             | 61.0                         | 67.0                    | 91.0%             | 93.3%                                   |

Source: Management

Notes:

(1) The 67 New Independent Living Units are assumed to be available for occupancy in January 2023.

The double occupancy percentage for the Existing Independent Living Units is assumed to average 27 percent throughout the Projection Period. The double occupancy percentage for the New Independent Living Units is assumed to approximate 49 percent throughout the Projection Period.

**Management’s Basis for the Projection of Revenues (continued)**

*New Independent Living Unit Monthly Unit Move-In Schedule*

Residents are assumed to begin moving into the New Independent Living Units and Assisted Living Units in January 2023. The following table reflects Management’s anticipated move-in schedules for the Project, as well as projected occupancy and utilization assumptions.

**Table 7  
Projected Move-In Schedules for the Project**

| Fiscal Year/Month | New Independent Living Units |                                  |                                       | Assisted Living Units |                                  |                                       |
|-------------------|------------------------------|----------------------------------|---------------------------------------|-----------------------|----------------------------------|---------------------------------------|
|                   | Move-ins                     | Cumulative<br>Occupancy<br>Total | Cumulative<br>Occupancy<br>Percentage | Move-ins              | Cumulative<br>Occupancy<br>Total | Cumulative<br>Occupancy<br>Percentage |
| 2023              |                              |                                  |                                       |                       |                                  |                                       |
| January           | 1.0                          | 1.0                              | 1.5%                                  | 1.0                   | 1.0                              | 4.2%                                  |
| February          | 1.0                          | 2.0                              | 3.0%                                  | 1.0                   | 2.0                              | 8.3%                                  |
| March             | 5.0                          | 7.0                              | 10.4%                                 | 1.0                   | 3.0                              | 12.5%                                 |
| April             | 5.0                          | 12.0                             | 17.9%                                 | 1.0                   | 4.0                              | 16.7%                                 |
| May               | 5.0                          | 17.0                             | 25.4%                                 | 1.0                   | 5.0                              | 20.8%                                 |
| June              | 4.0                          | 21.0                             | 31.3%                                 | 1.0                   | 6.0                              | 25.0%                                 |
| July              | 4.0                          | 25.0                             | 37.3%                                 | 1.0                   | 7.0                              | 29.2%                                 |
| August            | 4.0                          | 29.0                             | 43.3%                                 | 1.0                   | 8.0                              | 33.3%                                 |
| September         | 4.0                          | 33.0                             | 49.3%                                 | 1.0                   | 9.0                              | 37.5%                                 |
| October           | 3.0                          | 36.0                             | 53.7%                                 | 1.0                   | 10.0                             | 41.7%                                 |
| November          | 3.0                          | 39.0                             | 58.2%                                 | 1.0                   | 11.0                             | 45.8%                                 |
| December          | 3.0                          | 42.0                             | 62.7%                                 | 1.0                   | 12.0                             | 50.0%                                 |
| 2024              |                              |                                  |                                       |                       |                                  |                                       |
| January           | 2.0                          | 44.0                             | 65.7%                                 | 1.0                   | 13.0                             | 54.2%                                 |
| February          | 2.0                          | 46.0                             | 68.7%                                 | 1.0                   | 14.0                             | 58.3%                                 |
| March             | 2.0                          | 48.0                             | 71.6%                                 | 1.0                   | 15.0                             | 62.5%                                 |
| April             | 2.0                          | 50.0                             | 74.6%                                 | 1.0                   | 16.0                             | 66.7%                                 |
| May               | 2.0                          | 52.0                             | 77.6%                                 | 1.0                   | 17.0                             | 70.8%                                 |
| June              | 2.0                          | 54.0                             | 80.6%                                 | 1.0                   | 18.0                             | 75.0%                                 |
| July              | 2.0                          | 56.0                             | 83.6%                                 | 0.5                   | 18.5                             | 77.1%                                 |
| August            | 2.0                          | 58.0                             | 86.6%                                 | 0.5                   | 19.0                             | 79.2%                                 |
| September         | 2.0                          | 60.0                             | 89.6%                                 | 0.5                   | 19.5                             | 81.3%                                 |
| October           | 1.0                          | 61.0                             | 91.0%                                 | 0.5                   | 20.0                             | 83.3%                                 |
| November          | 0.0                          | 61.0                             | 91.0%                                 | 0.5                   | 20.5                             | 85.4%                                 |
| December          | 0.0                          | 61.0                             | 91.0%                                 | 0.5                   | 21.0                             | 87.5%                                 |
| <b>Total</b>      | <b>61.0</b>                  | <b>61.0</b>                      | <b>91.0%</b>                          | <b>21.0</b>           | <b>21.0</b>                      | <b>87.5%</b>                          |

Source: Management

*Assisted Living Unit Revenue*

Service fee revenue for Residents living in the Assisted Living Units is based upon the assumed occupancy and the monthly service fee of the respective units. The Assisted Living Unit monthly service fees are assumed to increase 3.0 percent annually during the Projection Period. The assumed occupancy levels for the Assisted Living Units are presented in the following table:

**Management's Basis for the Projection of Revenues (continued)**

**Table 8  
Utilization of the Assisted Living Units**

| Years Ending December 31, | Average Units Occupied | Average Units Available | Average Occupancy |
|---------------------------|------------------------|-------------------------|-------------------|
| 2021                      | n/a                    | n/a                     | n/a               |
| 2022                      | n/a                    | n/a                     | n/a               |
| 2023 <sup>(1)</sup>       | 6.5                    | 24                      | 27.1%             |
| 2024                      | 17.6                   | 24                      | 73.3%             |
| 2025                      | 21.0                   | 24                      | 87.5%             |

Source: Management

Notes:

(1) The 24 Assisted Living Units are assumed to be available for occupancy in January 2023.

**Memory Care Beds Revenue**

Service fee revenue for Residents living in the Memory Care Beds is based upon the assumed occupancy and the monthly service fee of the respective units. The Memory Care Unit monthly service fees are assumed to increase 3.0 percent annually during the projection period. The following table summarizes the assumed utilization of the Memory Care Beds during the Projection Period:

**Table 9  
Utilization of the Memory Care Beds**

| Years Ending December 31, | Average Units Occupied | Total Units Available | Average Occupancy |
|---------------------------|------------------------|-----------------------|-------------------|
| 2021                      | 11.0                   | 12.0                  | 91.7%             |
| 2022                      | 11.0                   | 12.0                  | 91.7%             |
| 2023                      | 11.0                   | 12.0                  | 91.7%             |
| 2024                      | 11.0                   | 12.0                  | 91.7%             |
| 2025                      | 11.0                   | 12.0                  | 91.7%             |

Source: Management

**Skilled Nursing Beds Revenue**

Service fee revenue for Residents living in the Skilled Nursing Beds is based upon the assumed occupancy and the daily service fee of the respective bed. The Skilled Nursing Bed daily service fees are assumed to increase 3.0 percent for private-pay Residents and 2 percent for Medicare and Medicaid Residents annually during the Projection Period. The assumed occupancy levels for the Skilled Nursing Beds are presented in the following table:

**Management's Basis for the Projection of Revenues (continued)**

**Table 10  
Average Utilization of the Skilled Nursing Beds**

| Years Ending December, 31 | Direct Admit |          |          |          | Total | Total Beds Available <sup>(1)</sup> | Occupancy Percentage |
|---------------------------|--------------|----------|----------|----------|-------|-------------------------------------|----------------------|
|                           | / Other      | Medicare | Medicaid | Lifecare |       |                                     |                      |
| 2021                      | 16.8         | 0.3      | 17.3     | 4.4      | 38.8  | 48.0                                | 80.8%                |
| 2022                      | 34.0         | 8.0      | 19.0     | 8.0      | 69.0  | 74.0                                | 93.2%                |
| 2023                      | 40.0         | 8.0      | 19.0     | 10.0     | 77.0  | 82.0                                | 93.9%                |
| 2024                      | 40.0         | 8.0      | 19.0     | 10.0     | 77.0  | 82.0                                | 93.9%                |
| 2025                      | 40.0         | 8.0      | 19.0     | 10.0     | 77.0  | 82.0                                | 93.9%                |

Source: Management

Notes:

- (1) The table reflects total operational units available during the Project construction period as a certain amount of units will require the vacating of units during the construction phasing.

*Home Health Revenue*

Management has projected home health revenue based upon historical experience and has projected it to increase approximately 3.0 percent annually throughout the Projection Period.

*Other Revenue*

Management assumes meal revenue, other miscellaneous revenue, and unrestricted contributions to increase approximately 3.0 percent annually throughout the Projection Period.

*Contributions*

Management assumes that total contributions would approximate \$1,200,000 in unrestricted contributions to net assets in 2021 and increase at one percent annually throughout the Projection Period. The Home receives contributions from charitable organizations and private sources.

*Investment Income*

Investment earnings are assumed to approximate 1.5 percent annually throughout the Projection Period on the Home's cash and investments, Debt Service Reserve Fund, Operating Reserve Fund, Bond Funds and Board Restricted Funds.

*Entrance Fees*

The assumed number of Existing Independent Living Units and New Independent Living Units becoming available due to Resident turnover, the double occupancy rate, the number of annual Resident entrance fee funds, and the movement of Existing and New Independent Living Unit Residents into the Assisted Living Units or Skilled Nursing Beds due to death, withdrawal or transfer are provided by Management and the actuary.

Management has projected a 3.0 percent increase to entrance fees for Existing Independent Living Units for each year in the Projection Period, beginning in 2022. Management has projected no inflation on the New Independent Living Units entrance fees until the Project opens in 2023, at which time, Management has projected a 3.0 percent increase annually in 2023, 2024, and 2025.

**Management's Basis for the Projection of Revenues (continued)**

The following table summarizes entrance fees received and refunded during the Projection Period.

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**Table 11**  
**Projected Entrance Fees Received and Refunded (in \$000s)**  
**Years Ending December 31,**

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|  | 2021     | 2022     | 2023      | 2024     | 2025     |
|--|----------|----------|-----------|----------|----------|
| Independent Living Turnover Entrance Fees Received, Net of Refunds | \$ 2,433 | \$ 2,865 | \$ 3,431  | \$ 4,134 | \$ 4,548 |
| Initial Entrance Fees Received from New Independent Living Units   | -        | -        | 11,476    | 5,191    | -        |
| Total Entrance Fees Received, Net of Refunds                       | \$ 2,433 | \$ 2,865 | \$ 14,907 | \$ 9,325 | \$ 4,548 |

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Source: Management

## **Management's Basis for the Projection of Expenses**

### **Operating Expenses**

Operating expenses are projected to increase approximately 2.7 percent annually throughout the periods presented in the projection. Management has projected operating expenses based upon Management's historical operations for the Home and based upon its plan to operate the Project and the estimated effect of inflation.

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

Average salary and wage rates are based on current rates paid. Beginning January 1, 2022, on an annual basis, Management is projecting salary and wage rates of the Home to increase approximately 3.0% for all employees during the Projection Period.

The costs of employee's fringe benefits are assumed to approximate 21% of salaries and wages, and include FICA, medical and dental insurance, long-term disability, life insurance, and retirement benefits.

Management has assumed the following staffing levels at the Home, as of 2025:

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**Table 12**  
**Schedule of Assumed Staffing Levels (FTEs) (2025)**

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| Department                      | Existing | Project | Total |
|---------------------------------|----------|---------|-------|
| Skilled Nursing                 | 83.8     | -       | 83.8  |
| Assisted Living and Memory Care | 5.2      | 9.3     | 14.5  |
| Home Health                     | 22.8     | -       | 22.8  |
| Activities                      | 3.9      | 2.4     | 6.3   |
| Dietary                         | 35.6     | 14.0    | 49.6  |
| Housekeeping and Laundry        | 18.2     | 5.6     | 23.8  |
| Plant and Maintenance           | 12.8     | 1.5     | 14.3  |
| General and Administration      | 13.2     | 1.0     | 14.2  |
| Total FTE's                     | 195.5    | 33.8    | 229.3 |

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Source: Management

Other non-salary operating expenses of the Home are assumed to include ongoing marketing costs, raw food costs, utilities, supplies, maintenance and security contracts, building and general liability insurance, legal and accounting fees, and other miscellaneous expenses, and were projected based on the experience of the Home and are projected to increase due to changes in occupancies as well as at an average annual rates ranging between 2.0 and 3.0% during the Projection Period.

Additionally, included in operating expenses during the years ending 2021 and 2022, Management has projected COVID-related expenses of approximately \$485,000 and \$30,000, respectively, which are included in Resident Care expense in the projected statements of operations and changes in net assets.

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

### **Current Assets and Current Liabilities**

#### *Cash and Cash Equivalents*

Cash balances for the Projection Period are based on the results of the Projected Statements of Cash Flows.

#### *Accounts Receivable*

Accounts receivable are projected based on historical levels at 20 days of total resident revenue.

#### *Accounts Receivable, Other*

Accounts receivable, other are projected based on historical levels at 10 days of total resident revenue.

#### *Prepaid Expenses and Other Assets*

Prepaid expenses and other assets are projected based on historical levels at 8 days of operating expenses less depreciation, interest, and amortization expenses.

#### *Accounts Payable*

Accounts payable are projected based on historical levels at 50 days of operating expenses less depreciation, interest, and amortization expenses.

#### *Accrued Expenses*

Accrued expenses are projected on historical levels at 23 days of operating expenses less depreciation, interest, and amortization expenses.

#### *Assets Limited as to Use*

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

- *Statutory Operating Reserve* – North Carolina Statutory Operating Reserve – Section 58-64-33 of the General Statutes of North Carolina, as amended, requires that all continuing care facilities maintain operating reserves equal to 50 percent of the total operating costs (as defined in Section 58-64-33) (or 25 percent of the total operating costs if such facilities maintain an occupancy level in excess of 90 percent and the North Carolina Commissioner of Insurance so approves) for the 12-month period related to the calculation. Such operating reserves may only be released upon approval of the North Carolina Commissioner of Insurance. Management has projected, based on its projected occupancies, meeting the 25 percent operating reserve requirement for all years except 2023, the year of Project opening.
- *Board Designated Investments to Refund Advance Fees* – Represents investments restricted by the board of directors and are designated to refund advance fees.
- *Donor Designated for Benevolence Assistance* – Represents investments restricted by donor that are to be used for providing benevolent care to residents in need.
- *Restricted Cash for Residents* – Represents restricted cash held for residents.

**Management's Basis for the Projection of Other Items**

- *Restricted Cash for Admission Payments* – Represents resident deposits of entrance fees for Independent Living Unit reservations.
- *Project Fund* – Proceeds from the Series 2020 Bonds that are projected to be used to pay for construction costs to complete the Project.
- *Funded Interest Fund* – Proceeds from the Series 2020 Bonds that will be used to pay interest on the Series 2020 Bonds during the Projection Period.
- *Bond Fund* – represents monthly advance payments of bond principal and interest made by the Home to the trustee relating to outstanding Series 2017 Bonds and Series 2020 Bonds. The funds held in the bond fund will be used by the trustee to make principal and interest payments to owners of the outstanding bonds when due.
- *Debt Service Reserve Funds* – The Home has debt service reserve funds related to the Series 2017 Bonds and Series 2020 Bonds.



**Management's Basis for the Projection of Other Items**

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

**Table 13**  
**Projected Statutory Operating Reserve Calculation**  
**For the Years Ending December 31,**  
**(In Thousands of Dollars)**

|   | 2021             | 2022             | 2023             | 2024             | 2025             |
|---|------------------|------------------|------------------|------------------|------------------|
| <b>Statutory Operating Reserve Calculation (Expenses in Thousands):</b> |                  |                  |                  |                  |                  |
| Total Operating Expenses  | \$ 17,116        | \$ 18,081        | \$ 26,649        | \$ 27,258        | \$ 27,899        |
| Include:  |                  |                  |                  |                  |                  |
| Bond Principal Payments   | 315              | 325              | 11,816           | 2,739            | 1,065            |
| Exclude:  |                  |                  |                  |                  |                  |
| Depreciation  | (1,863)          | (2,040)          | (3,896)          | (4,118)          | (4,308)          |
| Amortization on Bond Issuance Costs, Bond Premium, and Deferred Costs   | 63               | 63               | 63               | 63               | 63               |
| Principal Paid from Initial Entrance Fees                               | -                | -                | (11,476)         | (1,714)          | -                |
| Amounts Set Aside in Debt Service Reserve Funds <sup>(1)</sup>          | (4,696)          | (4,759)          | (4,689)          | (5,101)          | (4,994)          |
| <b>Total Operating Costs</b>  | <b>\$ 10,935</b> | <b>\$ 11,670</b> | <b>\$ 18,467</b> | <b>\$ 19,127</b> | <b>\$ 19,725</b> |
| Required Reserve  | 25%              | 25%              | 50%              | 25%              | 25%              |
| <b>Required Operating Reserve</b>                                       | <b>\$ 2,734</b>  | <b>\$ 2,918</b>  | <b>\$ 9,234</b>  | <b>\$ 4,782</b>  | <b>\$ 4,931</b>  |
| <b>Available Units at December 31:</b>                                  |                  |                  |                  |                  |                  |
| Independent Living Units - Existing                                     | 148              | 148              | 148              | 148              | 148              |
| Independent Living Units - Project                                      | n/a              | n/a              | 67               | 67               | 67               |
| Assisted Living Units   | n/a              | n/a              | 24               | 24               | 24               |
| Memory Care Units   | 12               | 12               | 12               | 12               | 12               |
| <b>Total Available Units</b>  | <b>160</b>       | <b>160</b>       | <b>251</b>       | <b>251</b>       | <b>251</b>       |
| <b>Occupied Units at December 31:</b>                                   |                  |                  |                  |                  |                  |
| Independent Living Units - Existing                                     | 137              | 137              | 139              | 140              | 140              |
| Independent Living Units - Project                                      | n/a              | n/a              | 42               | 61               | 61               |
| Assisted Living Units   | n/a              | n/a              | 12               | 21               | 21               |
| Memory Care Units   | 11               | 11               | 11               | 11               | 11               |
| <b>Total Occupied Units</b>   | <b>148</b>       | <b>148</b>       | <b>204</b>       | <b>233</b>       | <b>233</b>       |
| <b>Occupancy at December 31:</b>  | <b>92.50%</b>    | <b>92.50%</b>    | <b>81.27%</b>    | <b>92.83%</b>    | <b>92.83%</b>    |

Source: Management

Notes:

- (1) In accordance with the Statutory Operating Reserve calculation requirements, if the debt service portion is accounted for by way of another reserve account, such as a debt service reserve fund, the debt service portion may be excluded.

**Property and Equipment**

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

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

**Management's Basis for the Projection of Other Items**

**Table 14**  
**Projected Routine Capital Additions**  
**(In Thousands of Dollars)**  
**Years Ending December 31,**

|   | 2021             | 2022             | 2023          | 2024          | 2025          |
|---|------------------|------------------|---------------|---------------|---------------|
| Routine Capital Additions   | \$ 910           | \$ 900           | \$ 900        | \$ 951        | \$ 974        |
| Project costs   | 25,511           | 26,215           | -             | -             | -             |
| Capitalized interest, net of interest earnings, during Project construction | 3,417            | 3,505            | -             | -             | -             |
| <b>Total</b>  | <b>\$ 29,838</b> | <b>\$ 30,620</b> | <b>\$ 900</b> | <b>\$ 951</b> | <b>\$ 974</b> |

Source: Management

**Table 15**  
**Projected Property and Equipment)**  
**(In Thousands of Dollars)**  
**Years Ending December 31,**

|                                    | 2021             | 2022             | 2023             | 2024             | 2025             |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Land and Land Improvements         | \$ 987           | \$ 987           | \$ 987           | \$ 987           | \$ 987           |
| Buildings                          | 50,104           | 50,946           | 114,812          | 115,702          | 116,613          |
| Equipment                          | 1,748            | 1,778            | 3,819            | 3,850            | 3,882            |
| Furniture and Fixtures             | 1,413            | 1,436            | 3,471            | 3,496            | 3,521            |
| Transportation Equipment           | 263              | 268              | 273              | 278              | 284              |
| Construction in Progress           | 37,392           | 67,112           | 65               | 65               | 65               |
| <b>Total</b>                       | <b>91,907</b>    | <b>122,527</b>   | <b>123,427</b>   | <b>124,378</b>   | <b>125,352</b>   |
| Accumulated Depreciation           | 26,405           | 28,445           | 32,341           | 36,459           | 40,767           |
| <b>Property and Equipment, Net</b> | <b>\$ 65,502</b> | <b>\$ 94,082</b> | <b>\$ 91,086</b> | <b>\$ 87,919</b> | <b>\$ 84,585</b> |

Source: Management

**Long-Term Debt and Interest Expense**

The accompanying projection reflects the following debt:

During 2017, the Home entered into a financing arrangement with the Public Finance Authority under which the Authority issued tax-exempt Series 2017 Revenue Refunding Bonds of \$23,855,000. The bonds were issued to refund the series 2011 bonds. These bonds are collateralized by a deed of trust on the Home, as well as a security interest in pledged assets.

During 2020, the Home entered into a financing arrangement with the Public Finance Authority under which the Authority issued tax-exempt Series 2020-A First Mortgage Revenue Bonds of \$60,105,000, Series 2020 B-1 First Mortgage Revenue Bonds of \$4,000,000, and Series 2020 B-2 First Mortgage Revenue Bonds of \$9,190,000. The bonds were issued to pay for Project, to fund debt service reserve funds and pay a portion of interest on the bonds, and to pay certain costs of issuance. These bonds are collateralized by a deed of trust on the Home, as well as a security interest in pledged assets.

Projected principal payments on the Home's debt are as follows:

**Management’s Basis for the Projection of Other Items**

**Table 16**  
**Projected Principal Payments on the Home’s Debt**  
**(In Thousands of Dollars)**

| <b>Fiscal Year Ending December 31,</b> | <b>Series 2017</b> | <b>Series 2020-A</b> | <b>Series 2020 B-1</b> | <b>Series 2020 B-2</b> | <b>Total</b>     |
|--|--------------------|----------------------|------------------------|------------------------|------------------|
|  | <b>Bonds</b>       | <b>Bonds</b>         | <b>Bonds</b>           | <b>Bonds</b>           |                  |
| 2021                                   | \$ 315             | \$ -                 | \$ -                   | \$ -                   | \$ 315           |
| 2022                                   | 325                | -                    | -                      | -                      | 325              |
| 2023                                   | 340                | -                    | 2,286                  | 9,190                  | 11,816           |
| 2024                                   | 355                | 670                  | 1,714                  | -                      | 2,739            |
| 2025                                   | 370                | 695                  | -                      | -                      | 1,065            |
| 2026                                   | 385                | 725                  | -                      | -                      | 1,110            |
| 2027                                   | 400                | 755                  | -                      | -                      | 1,155            |
| 2028                                   | 415                | 790                  | -                      | -                      | 1,205            |
| 2029                                   | 440                | 820                  | -                      | -                      | 1,260            |
| 2030                                   | 460                | 855                  | -                      | -                      | 1,315            |
| Thereafter                             | 18,910             | 54,795               | -                      | -                      | 73,705           |
| <b>Total</b>                           | <b>\$ 22,715</b>   | <b>\$ 60,105</b>     | <b>\$ 4,000</b>        | <b>\$ 9,190</b>        | <b>\$ 96,010</b> |

Source: Management

**Risks and Uncertainties**

The World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to Whitestone, COVID-19 may impact various parts of its operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. The full impact of COVID-19 is unknown and cannot be reasonably estimated as of the date of this Projection. Management has projected that its Home’s nursing occupancies would recover to historical operating levels by the end of December 31, 2022. Management has not projected that its access to labor would be materially adversely impacted by COVID-19. In addition, Management has projected receiving forgiveness of \$1,434,000 in 2021 related to funds received in 2020 for the Paycheck Protection Program from the CARES Act.

# **EXHIBIT 4**

## **Interim Financial Statements March 2021**

- ❖ Balance Sheet**
- ❖ Statement of Operations**
- ❖ Statement of Cash Flows**

# WhiteStone: A Masonic and Eastern Star Community Comparative Balance Sheet

Masonic and Eastern Star Home

MAR-21 USD

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| NATURAL ACCOUNT   | Current Month         |
|---|-----------------------|
| <b>Assets</b>   |                       |
| Total Cash and Cash Equivalents                         | 3,060,236.15          |
| Total Current Assets Whose Use is Limited or Restricted | 3,628,094.17          |
| Total Accounts/Notes Receivable                         | 2,027,431.21          |
| Total Inventory   | 51,853.28             |
| Total Prepaid and Deferred                              | 175,775.10            |
| Total L-T Assets Whose Use is Board/Self Restricted     | 14,272,413.44         |
| Total L-T Assets With Limited/Restricted Use            | 69,322,680.23         |
| Net Depreciable Assets                                  | 28,492,608.54         |
| Total Other Assets                                      | 15,730,980.20         |
| <b>Total Assets</b>                                     | <b>136,762,072.32</b> |
| <b>Liabilities</b>                                      |                       |
| Total Accounts Payable                                  | 1,248,282.14          |
| Total Accrued Payroll Liabilities                       | 645,736.31            |
| Total Accrued Interest and Current Debt                 | 720,070.81            |
| Total Accrued Liabilities                               | 255,362.08            |
| Total Other Current Liabilities                         | 1,895,437.83          |
| Total Long-Term Liabilities                             | 101,765,777.02        |
| Total Deferred Revenue - Non Refundable                 | 12,066,734.71         |
| <b>Total Liabilities</b>                                | <b>118,597,400.90</b> |
| <b>Total Equity</b>                                     | <b>18,164,671.42</b>  |
| <b>Total Liabilities and Equity</b>                     | <b>136,762,072.32</b> |

# WhiteStone: A Masonic and Eastern Star Community Quarterly Operating Statement

Masonic and Eastern Star Home  
 MAR-21 USD  
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| NATURAL ACCOUNT COST CENTER         | YTD Actuals  |
|-------------------------------------|--------------|
| Operating Revenue                   |              |
| Independent Living Revenue          |              |
| Total IL & State Supplement Revenue | 1,105,517.81 |
| Health Center                       |              |
| Total Private Pay                   | 468,428.37   |
| Total Life Care/Continuing Care     | 42,530.62    |
| Total Medicare Part A               | 44,920.26    |
| Total Medicare Part B               | 65,359.17    |
| Total Medicaid                      | 481,445.56   |
| Total HMO/Managed Care              | 40,149.85    |
| Total Hospice                       | 3,716.18     |
| Total Other Insurance               | (2,261.61)   |
| Total Health Center Revenue         | 1,144,288.40 |
| Assisted Living - Dementia          |              |
| Total Private Pay                   | 209,708.99   |
| Total Life Care/Continuing Care     | -            |
| Total Medicaid                      | -            |
| Total Assisted Living Revenue       | 209,708.99   |
| Home Health                         |              |
| Total Private Pay                   | 225,569.78   |
| Total Home Health Revenue           | 225,569.78   |
| Total Other Operating Revenue       | 103,832.90   |
| Total Operating Revenue             | 2,788,917.88 |

# WhiteStone: A Masonic and Eastern Star Community Quarterly Operating Statement

Masonic and Eastern Star Home  
 MAR-21 USD  
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| NATURAL ACCOUNT COST CENTER                      | YTD Actuals |
|--|-------------|
|  |             |
|  |             |
|  |             |
| <b>Total General and Administrative Expense</b>  | 684,227.44  |
|  |             |
| <b>Plant</b>                                     |             |
|  |             |
| <b>Total Wages</b>                               | 95,886.36   |
| <b>Total Benefits and Taxes</b>                  | 20,485.15   |
| <b>Total Other Expenses</b>                      | 318,112.47  |
|  |             |
| <b>Total Plant Expenses</b>                      | 434,483.98  |
|  |             |
| <b>Environmental Services</b>                    |             |
|  |             |
| <b>Total Wages</b>                               | 127,298.29  |
| <b>Total Benefits and Taxes</b>                  | 27,962.80   |
| <b>Total Other Expenses:</b>                     | 20,606.05   |
|  |             |
| <b>Total Environmental Service Expense</b>       | 175,867.14  |
|  |             |
| <b>Food Service</b>                              |             |
|  |             |
| <b>Total Wages</b>                               | 227,466.30  |
| <b>Total Benefits and Taxes</b>                  | 45,638.47   |
| <b>Total Other Expenses</b>                      | 234,190.84  |
|  |             |
| <b>Total Food &amp; Beverage Service Expense</b> | 507,295.61  |
|  |             |
| <b>Resident Services</b>                         |             |
|  |             |
| <b>Total Wages</b>                               | 35,618.60   |
| <b>Total Benefits</b>                            | 7,617.14    |
| <b>Total Other Expenses</b>                      | 53,781.66   |
|  |             |
| <b>Total Resident Services Expense</b>           | 97,017.40   |

# WhiteStone: A Masonic and Eastern Star Community Quarterly Operating Statement

Masonic and Eastern Star Home  
 MAR-21 USD  
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| NATURAL ACCOUNT COST CENTER          | YTD Actuals         |
|--------------------------------------|---------------------|
|                                      |                     |
|                                      |                     |
|                                      |                     |
| <b>Health Center</b>                 |                     |
|                                      |                     |
| Total Wages                          | 713,149.47          |
| Total Benefits                       | 119,844.42          |
| Total HC Administrative Expense      | 327,371.10          |
| Total Ancillary Expense              | 154,325.30          |
|                                      |                     |
| <b>Total Health Center Expense</b>   | <b>1,314,690.29</b> |
|                                      |                     |
|                                      |                     |
| <b>Assisted Living - Dementia</b>    |                     |
|                                      |                     |
| Total Wages                          | 27,786.65           |
| Total Benefits and Taxes             | 7,892.88            |
| Total Other Expenses                 | 723.67              |
|                                      |                     |
| <b>Total Assisted Living Expense</b> | <b>36,403.20</b>    |
|                                      |                     |
|                                      |                     |
| <b>Community Home Health</b>         |                     |
|                                      |                     |
| Total Wages                          | 204,966.38          |
| Total Benefits and Taxes             | 21,804.23           |
| Total Other Expenses                 | 12,587.11           |
|                                      |                     |
| <b>Total Community Home Health</b>   | <b>239,357.72</b>   |
|                                      |                     |
|                                      |                     |
| <b>Total Operating Expense</b>       | <b>3,489,342.78</b> |
|                                      |                     |
|                                      |                     |
| <b>Net Operating Income</b>          | <b>(700,424.90)</b> |
|                                      |                     |
|                                      |                     |
| Total Other Income                   | 1,076,688.81        |
| Total Other Expenses                 | 704,314.68          |
|                                      |                     |
| <b>Net Income/(Loss)</b>             | <b>(328,050.77)</b> |



# WhiteStone: A Masonic and Eastern Star Community Quarterly Operating Statement

Masonic and Eastern Star Home  
 MAR-21 USD  
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| NATURAL ACCOUNT COST CENTER              | YTD Actuals         |
|--|---------------------|
| <b>SUMMARY</b>                           |                     |
| Operating Revenue                        |                     |
| Total Independent Living Revenue         | 1,105,517.81        |
| Total Health Center Revenue              | 1,144,288.40        |
| Total Assisted Living Revenue            | 209,708.99          |
| Total Home Health Revenue                | 225,569.78          |
| Total Other Operating Revenue            | 103,832.90          |
| <b>Total Operating Revenue</b>           | <b>2,788,917.88</b> |
| Operating Expense                        |                     |
| Total General and Administrative Expense | 684,227.44          |
| Total Plant                              | 434,483.98          |
| Total Environmental Service              | 175,867.14          |
| Total Food Service Expense               | 507,295.61          |
| Total Resident Services Expense          | 97,017.40           |
| Total Health Center Expense              | 1,314,690.29        |
| Total Assisted Living - Dementia Expense | 36,403.20           |
| Total Community Home Health Expense      | 239,357.72          |
| <b>Total Operating Expense</b>           | <b>3,489,342.78</b> |
| <b>Net Operating Income</b>              | <b>(700,424.90)</b> |
| Total Other Income                       | 1,076,688.81        |
| Total Other Expenses                     | 704,314.68          |
| <b>Net Income/(Loss)</b>                 | <b>(328,050.77)</b> |

# WhiteStone: A Masonic and Eastern Star Community

## Statement of Cash Flows

Masonic and Eastern Star Home

MAR-21USD

4/26/2021 9:03

|   | Year To Date Actual |
|---|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                    |                     |
| Operating Revenue   | 2,788,917.88        |
| <b>Adjustments to Reconcile Net Operating Revenue to Cash:</b>  |                     |
| Decrease (Increase) in Resident Receivables                     | 63,319.33           |
| Decrease (Increase) in Other Accounts Receivable                | 65,811.35           |
| Operating Revenue - Cash Basis                                  | 2,918,048.56        |
| Operating Expenses  | 3,489,342.78        |
| <b>Adjustments to Reconcile Net Operating Expenses to Cash:</b> |                     |
| Increase (Decrease) in Prepaid Expenses and Inventory           | (72,666.49)         |
| Decrease (Increase) in Accounts Payable                         | 1,143,252.09        |
| Decrease (Increase) in Accrued Expenses                         | 30,899.16           |
| Operating Expenses - Cash Basis                                 | 4,590,827.54        |
| Net Operating Income (Loss) - Cash Basis                        | (1,672,778.98)      |
| <b>Other</b>  |                     |
| Interest Income   | 51,204.02           |
| Interest Expense  | (547,290.93)        |
| Other Income & Expense  | 537,181.55          |
| <b>Entrance Fees</b>  |                     |
| Entrance Fees Received Net of Refunds                           | (178,737.64)        |
| Increase (Decrease) in Entrance Fee Deposits                    | 194,913.98          |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>               | (1,615,508.00)      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                    |                     |
| Purchases of Property and Equipment                             | (2,066,881.27)      |
| Decrease (Increase) in Intangible Assets                        | (8,010.00)          |
| Decrease (Increase) in Self Restricted Assets                   | (1,961,106.17)      |
| Decrease (Increase) in Restricted Assets                        | 3,555,523.61        |
| <b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:</b>     | (480,473.83)        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                    |                     |

# WhiteStone: A Masonic and Eastern Star Community Statement of Cash Flows

Masonic and Eastern Star Home

MAR-21USD

4/26/2021 9:03

|  | Year To Date Actual   |
|--|-----------------------|
|  |                       |
| Effects of Refinancing/Principal Payment on Debt             | (8,134.05)            |
| Equity Changes - Capital Contributions/Partner Distributions | 1,852.00              |
| <b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:</b>  | <b>(6,282.05)</b>     |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:</b> | <b>(2,102,263.88)</b> |
| <b>CASH AND CASH EQUIVALENTS - AT BEGINNING OF PERIOD</b>    | <b>5,162,500.03</b>   |
| <b>CASH AND CASH EQUIVALENTS - AT END OF PERIOD</b>          | <b>3,060,236.15</b>   |

# **EXHIBIT 5**

**Explanation of Material Differences**

**Balance Sheet**

**Statement of Operations**

**Statement of Cash Flows**

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**D/B/A WHITESTONE**  
**Statement of Financial Position**  
**December 31, 2020**

| <u>Assets</u>  | <u>Audit</u>          | <u>Forecast</u>       | <u>Difference</u> | <u>Variance</u> |
|--|-----------------------|-----------------------|-------------------|-----------------|
| <b>Current Assets:</b>   |                       |                       |                   |                 |
| Cash and cash equivalents (1)                                  | \$ 3,908,034          | 2,264,000             | 1,644,034         | 72.62%          |
| Assets limited as to use - current (2)                         | 2,031,948             | 631,000               | 1,400,948         | 222.02%         |
| Accounts receivable, net of allowance for doubtful amounts     | 652,326               | 1,010,000             | (357,674)         | -35.41%         |
| Accounts receivable, other (3)                                 | 357,633               | 1,402,000             | (1,044,367)       | -74.49%         |
| Prepaid expenses and other assets                              | 307,457               | 322,000               | (14,543)          | -4.52%          |
| Total current assets   | <u>7,257,398</u>      | <u>5,629,000</u>      |                   |                 |
| <b>Long-Term Investments, Deferred Costs and Other Assets:</b> |                       |                       |                   |                 |
| Investments (4)  | 10,284,388            | 12,506,000            | (2,221,612)       | -17.76%         |
| Assets limited as to use, Net of Current Portion (5)           | 77,714,911            | 66,515,000            | 11,199,911        | 16.84%          |
| Assets in split-interest agreements (6)                        | 4,097,253             | 5,351,000             | (1,253,747)       | -23.43%         |
| Deferred costs, net  | 73,172                | -                     | 73,172            | #DIV/0!         |
|  | <u>92,169,724</u>     | <u>84,372,000</u>     |                   |                 |
| Property and equipment, net (7)                                | <u>37,527,239</u>     | <u>38,066,000</u>     | (538,761)         | -1.42%          |
| Total assets   | <u>\$ 136,954,361</u> | <u>\$ 128,067,000</u> |                   |                 |
| <b><u>Liabilities and Net Assets</u></b>                       |                       |                       |                   |                 |
| <b>Current Liabilities:</b>                                    |                       |                       |                   |                 |
| Current portion of long-term debt                              | \$ 315,000            | \$ 315,000            | -                 | 0.00%           |
| Accounts payable (8)   | 2,556,865             | 886,000               | 1,670,865         | 188.59%         |
| Accrued expenses (9)   | 1,245,733             | 2,399,000             | (1,153,267)       | -48.07%         |
| Refundable advance - Paycheck Protection Program (10)          | 1,434,400             | -                     | 1,434,400         | #DIV/0!         |
| Refundable advance fees, current                               | 722,384               | 566,000               | 156,384           | 27.63%          |
| Total current liabilities                                      | <u>6,274,382</u>      | <u>4,166,000</u>      |                   |                 |
| Long-term debt (11)  | <u>97,439,487</u>     | <u>91,057,000</u>     | 6,382,487         | 7.01%           |
| <b>Deferred Revenue and Other Liabilities:</b>                 |                       |                       |                   |                 |
| Deferred revenue from advance fees                             | 12,116,837            | 12,100,000            | 16,837            | 0.14%           |
| Refundable advance fees (12)                                   | 3,758,062             | 3,153,000             | 605,062           | 19.19%          |
| Deposits on unoccupied units                                   | 979,860               | 1,268,000             | (288,140)         | -22.72%         |
| Long term accounts payable                                     | 40,000                | -                     | 40,000            | #DIV/0!         |
| Resident trust funds   | 266,686               | 112,000               | 154,686           | 138.11%         |
| Total deferred revenue and other liabilities                   | <u>17,161,445</u>     | <u>16,633,000</u>     |                   |                 |
| Total liabilities  | <u>120,875,314</u>    | <u>111,856,000</u>    |                   |                 |
| <b>Net Assets:</b>   |                       |                       |                   |                 |
| Without Donor Restrictions (13)                                | 10,768,753            | 5,767,000             | 5,001,753         | 86.73%          |
| With Donor Restrictions (14)                                   | 5,310,834             | 10,444,000            | (5,133,166)       | -49.15%         |
| Total net assets   | <u>16,079,587</u>     | <u>16,211,000</u>     |                   |                 |
| Total liabilities and net assets                               | <u>\$ 136,954,901</u> | <u>\$ 128,067,000</u> |                   |                 |

MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED EXPLANATION OF  
MATERIAL DIFFERENCES FOOTNOTES - BALANCE SHEET Differences of \$500,000 or greater  
between audit and forecast are considered Material Differences and are explained below:

|  |   |
|--|---|
| 1) Cash and cash equivalents -                         | Bond closing repayment of funds disbursed previously from operations  |
| 2) Assets limited as to use - Current -                | Restatement of PY Net Assets Adjustment in 2020 audit   |
| 3) Accounts Receivable, Other -                        | Restatement of PY Net Assets Adjustment in 2020 audit   |
| 4) Investments -                                       | Actual operating reserve calculation was less than the forecasted   |
| 5) Assets limited to use, net of current portion       | Project fund assets were higher than in forecast  |
| 6) Assets in split-interest agreements -               | Reclassification and adjustment by 2020 audit firm as it relates to the split interest agreements                               |
| 7) Property and equipment, net                         | Covid impact on delayed capex improvements in 2020  |
| 8) Accounts Payable                                    | Project payable at year end that was over 1 million   |
| 9) Accrued Expenses                                    | Accrued interest on the 2020 bonds in the forecast was higher than actual   |
| 10) Refundable advance - Paycheck Protection Program - | PPP Loan was not forgiven until 2021. Forecast assumed it would be forgiven in 2020   |
| 11) Long-term debt                                     | 2020 Bonds Financed final differeriated from forecast after bond negotiations   |
| 12) Refundable advance fees                            | Increase in ROC90 contracts in 2020 versus what was forecasted  |
| 13) Net Assets Without Donor Restrictions -            | The audit firm for the 2020 audit reclassified certain assets from without donor restrictions to with based on their audit work |
| 14) Net Assets With Donor Restrictions -               | The audit firm for the 2020 audit reclassified certain assets from without donor restrictions to with based on their audit work |

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**D/B/A WHITESTONE**  
**Statement of Operations**  
**Year Ended December 31, 2020**

|  | Audit               | Forecast          | Difference  | Variance |
|--|---------------------|-------------------|-------------|----------|
| <b>Operating revenues:</b>                                   |                     |                   |             |          |
| Net resident service revenues                                | \$ 5,171,022        | \$ 5,182,000      | (10,978)    | -0.24%   |
| Net patient health care revenues (1)                         | 8,295,013           | 9,051,000         | (755,987)   | -7.84%   |
| Amortization of advance fees                                 | <u>2,266,159</u>    | <u>1,907,000</u>  | 359,159     | 18.83%   |
| Total Resident Service and Health Care Revenues              | 15,732,194          | 16,140,000        |             |          |
| Contributions (2)  | 2,045,219           | 1,126,000         | 919,219     | 81.64%   |
| Investment income  | 137,139             | 279,000           | (141,861)   | -50.85%  |
| Provider Relief Fund Revenue (3)                             | 719,100             | 1,400,000         | (680,900)   | -48.64%  |
| Other income   | 2,792               | -                 | 2,792       | #DIV/0!  |
| Release from restriction                                     | 1,987               | -                 | 1,987       | #DIV/0!  |
| Total revenues, gains, and other support                     | <u>18,638,431</u>   | <u>18,945,000</u> |             |          |
| <b>Operating expenses:</b>                                   |                     |                   |             |          |
| General and administrative (4)                               | -                   | 2,121,000         | (2,121,000) | -100.00% |
| Project Marketing costs (5)                                  |                     | 651,000           | (651,000)   | -100.00% |
| Salaries and benefits (6)                                    | 9,020,350           | -                 | 9,020,350   | #DIV/0!  |
| Contract labor   | 3,643               | -                 | 3,643       | #DIV/0!  |
| Medical supplies and services (7)                            | 1,285,625           | 7,234,000         | (5,948,375) | -82.23%  |
| Food supplies and services (8)                               | 847,364             | 2,197,000         | (1,349,636) | -61.43%  |
| Other supplies and activities (9)                            | 907,133             | -                 | 907,133     | #DIV/0!  |
| Utilities & Communications (10)                              | 650,311             | -                 | 650,311     | #DIV/0!  |
| Repairs and maintenance (11)                                 | 686,028             | 2,349,000         | (1,662,972) | -70.79%  |
| Property and liability insurance                             | 226,756             | 222,000           | 4,756       | 2.14%    |
| Depreciation   | 1,739,864           | 1,767,000         | (27,136)    | -1.54%   |
| Amortization of contract acquisition costs                   | 3,893               | (141,000)         | 144,893     | -102.76% |
| Interest expense   | 1,082,122           | 1,113,000         | (30,878)    | -2.77%   |
| Management fees  | 570,000             | 580,000           | (10,000)    | -1.72%   |
| Other operating expenses (12)                                | <u>929,585</u>      | <u>-</u>          | 929,585     | #DIV/0!  |
| Total expenses and losses                                    | <u>17,952,674</u>   | <u>18,093,000</u> |             |          |
| Operating Income   | <u>685,757</u>      | <u>852,000</u>    |             |          |
| <b>Nonoperating income:</b>                                  |                     |                   |             |          |
| Change in Unrealized Gains on Investments (13)               | <u>1,536,794</u>    | <u>-</u>          | 1,536,794   |          |
| Total nonoperating income                                    | <u>1,536,794</u>    | <u>-</u>          |             |          |
| Increase (decrease) in net assets without donor restrictions | <u>\$ 2,222,551</u> | <u>\$ 852,000</u> |             |          |

MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED EXPLANATION OF MATERIAL DIFFERENCES FOOTNOTES – STATEMENT OF OPERATIONS Differences of \$500,000 or greater between audit and forecast are considered Material Differences.

|   |  |
|---|--|
| 1) Net patient health care revenues -           | Due to Covid health care revenue was lower than forecasted   |
| 2) Contributions                                | Received a large donation that was set up in a Benevolent Resident Investment Fund   |
| 3) Provider Relief Fund Revenue -               | At the time of forecast it was unknown the amount of funds that would be received so an estimate was made  |
| 4) General and Administrative                   | G&A salaries/wages and benefits as well as other supplies and activities grouped differently in the audit  |
| 5) Project Marketing Costs                      | Included in other operating expenses in audited numbers  |
| 6) Salaries and Benefits                        | In the forecast the salaries are broken out into department area versus just one line item for salaries and wages  |
| 7) Medical Supplies and Services -              | Forecasted numbers include salaries/wages and benefits for the health center. Health center expenses were also lower due to low HC occupancy due to COVID                                      |
| 8) Food Supplies and Services                   | Forecasted numbers include salaries/wages and benefits for food and beverage department. Food expenses were also lower due to COVID shutting down the dining room.                             |
| 9) Other Supplies and Activities                | This is included with G&A in the forecasted numbers  |
| 10) Utilities and Communications                | For forecasted numbers this is included with repairs and maintenance   |
| 11) Repairs and Maintenance -                   | Includes plant operations salaries and benefits as well as utilities and communications in the forecasted numbers. COVID also prevented vendors from coming on site to fix non-urgent repairs. |
| 12) Other Operating Expenses -                  | Forecasted Project Marketing costs from above are included here in audited numbers   |
| 13) Change in unrealized Gains on Investments - | Forecast did not include "unrealized" gains or losses only "actual" items  |



**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**D/B/A WHITESTONE**  
**Statement of Cash Flows**  
**Year Ended December 31, 2020**

|  | Audit                | Forecast            | Difference          | Variance             |
|--|----------------------|---------------------|---------------------|----------------------|
| Cash flows from operating activities:  |                      |                     |                     |                      |
| Changes in net assets  | \$ 3,461,482         | \$ 852,000          | \$ 852,000          | 2,609,482 306.28%    |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: |                      |                     |                     |                      |
| Depreciation and amortization  | 1,743,757            | 1,767,000           | 1,767,000           | (23,243) -1.32%      |
| Amortization of Deferred Financing Costs   | 43,713               | 79,000              | 79,000              | (35,287) -44.67%     |
| Amortization of Bond Premium   | (76,979)             | (220,000)           | (220,000)           | 143,021 -65.01%      |
| Advance fees, refundable fees and deposits on unoccupied units received                      | 1,463,350            | 1,328,000           | 1,328,000           | 135,350 10.19%       |
| Amortization of advance fees   | (2,266,159)          | (1,907,000)         | (1,907,000)         | (359,159) 18.83%     |
| Loss on disposal of property and equipment   | -                    | -                   | -                   | -                    |
| Net realized and unrealized gains on investments and reinvested income (1)                   | (1,536,794)          | -                   | -                   | (1,536,794) 100.00%  |
| Change in value of split-interest agreements (2)   | (278,083)            | 1,058,000           | 1,058,000           | (1,336,083) 100.00%  |
| Changes in current assets and current liabilities  | (1,026,092)          | (740,000)           | (740,000)           | (286,092) 100.00%    |
| Refundable Advance - Paycheck Protection Program (3)   | 1,434,400            | -                   | -                   | 1,434,400 100.00%    |
| Other deposits and liabilities (4)   | 154,368              | 745,000             | 745,000             | (590,632) 100.00%    |
| Net Cash Provided by Operating Activities  | <u>3,116,963</u>     | <u>2,962,000</u>    | <u>2,962,000</u>    | 154,963 5.23%        |
| Cash flows from investing activities:  |                      |                     |                     |                      |
| Purchase of property and equipment (5)   | (4,128,857)          | (5,423,000)         | (5,423,000)         | 1,294,143 -23.86%    |
| Proceeds from the sale of property and equipment   | -                    | -                   | -                   | -                    |
| Interest Cost Capitalized during the construction period                                     | -                    | -                   | (1,329,000)         | -                    |
| Payments on deferred costs   | (26,069)             | -                   | -                   | (26,069) 300.00%     |
| Net Purchases and Sales of Investments (6)   | 91,985               | (3,774,000)         | (3,774,000)         | 3,865,985 100.00%    |
| Net change in assets whose use is limited (7)  | 338,406              | (59,363,000)        | (59,363,000)        | 59,701,406 100.00%   |
| Net Cash Used in Investing Activities  | <u>(3,724,535)</u>   | <u>(69,889,000)</u> | <u>(69,889,000)</u> | 66,164,465 -94.67%   |
| Cash flows from financing activities:  |                      |                     |                     |                      |
| Refunds of advance fees (8)  | (307,992)            | (825,000)           | (825,000)           | 517,008 100.00%      |
| Refundable Fees and Deposits on Unoccupied Units Received (9)                                | 941,018              | -                   | -                   | 941,018 100.00%      |
| Bond Issue Premium (10)  | 3,143,581            | 2,292,000           | 2,292,000           | 851,581 200.00%      |
| Proceeds from Issuance of Long-Term Debt (11)  | 73,295,000           | 67,453,000          | 67,453,000          | 5,842,000 300.00%    |
| Cost of Issuance (12)  | -                    | (1,395,000)         | (1,395,000)         | 1,395,000 300.00%    |
| Payments of Deferred Financing Costs (13)  | (1,812,076)          | -                   | -                   | (1,812,076) 400.00%  |
| Payments on Long-Term Debt   | (300,000)            | (300,000)           | (300,000)           | -                    |
| Net Cash Provided by Financing Activities  | <u>74,959,531</u>    | <u>67,225,000</u>   | <u>67,225,000</u>   | 7,734,531 600.00%    |
| Increase (decrease) in cash and cash equivalents   | 74,351,959           | 298,000             | 298,000             | 74,053,959 24850.32% |
| Cash, cash equivalents and restricted cash - beginning                                       | <u>2,707,120</u>     | <u>1,966,000</u>    | <u>1,966,000</u>    | 741,120 37.70%       |
| Cash, cash equivalents and restricted cash - ending  | <u>\$ 77,059,079</u> | <u>\$ 2,264,000</u> | <u>\$ 2,264,000</u> | 74,795,079 3303.67%  |

MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED EXPLANATION OF MATERIAL DIFFERENCES FOOTNOTES - CASH FLOW Differences of \$500,000 or greater between audit and forecast are considered Material Differences and are explained below:

- |   |   |
|---|---|
| 1) Net realized and unrealized gains on investments and reinvested income - | Forecast did not take into consideration "unrealized" gains   |
| 2) Change in value of split-interest agreements -                           | Based on change made during 2020 audit to correct calculation and classification of some split interest agreements  |
| 3) Refundable Advance - Paycheck Protection Program -                       | PPP Loan - forecast assumed it would be forgiven by 12/31/2020  |
| 4) Other deposits and liabilities -   | Forecast puts all deposits into operating while the audit breaks out deposits on unoccupied units.  |
| 5) Purchase of property and equipment -                                     | Covid impact - construction on project started a little later than forecasted and some capex was put on hold due to Covid   |
| 6) Net Purchases and Sales of Investments -                                 | PY year Net Asset adjustment related to split interest agreements and investments   |
| 7) Net change in assets whose use is limited -                              | Forecast included bonds here as assets limited to use   |
| 8) Refunds of advance fee -   | A historical approach was taken when evaluating this for the forecast. Covid however has impacted much of the transition in sales, refunds, attrition etc. for 2020 |
| 9) Refundable Fees and Deposits on Unoccupied Units Received                | Forecast puts all deposits into operating while the audit breaks out deposits on unoccupied units.  |
| 10) Bond Issue Premium  | Bond closing was greater than forecasted  |
| 11) Proceeds from Issuance of Long-Term Debt                                | Bond closing was greater than forecasted  |
| 12) Cost of Issuance -  | Audit has this classified with deferred financing costs   |
| 13) Payments of Deferred Financing Costs -                                  | Forecast has this classified with cost of issuance  |

# **EXHIBIT 6**

## **50% Return-of-Capital™ Residency Agreement**



**700 South Holden Road  
Greensboro, North Carolina 27407  
(336) 299-0031**

**50% Return-of-Capital™  
Residency Agreement**

05/27/2015

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Exhibit A – Non-Standard Features Added at Resident's Request

**WHITESTONE: A MASONIC & EASTERN STAR COMMUNITY**  
**50% RETURN-OF-CAPITAL™**  
**RESIDENCY AGREEMENT**

**RECITALS:**

**A. Provider.** The Masonic and Eastern Star Home of North Carolina, Inc., a non-profit corporation (hereafter "we" or "us" or "our"), is the provider of a continuing care retirement community known as WhiteStone: A Masonic & Eastern Star Community (the "Community") located in Greensboro, North Carolina.

**B. Resident.** \_\_\_\_\_ ("Resident" or "you" or "your", or when two people ("Joint Residents") are named in this Agreement, each of them and the survivor of them, except as otherwise indicated) wishes to live at the Community and to enjoy, consistent with the rights, welfare and contentment of the other residents, the facilities and services provided by the Community.

**C. Requirements for Residency.** Except as waived by us after full disclosure, we require that Resident be at least sixty (60) years of age or applying for the same Residence with a Joint Resident who is sixty (60) or older, be capable of meeting the requirements of occupancy with or without reasonable accommodation and/or reasonable modification, and have sufficient assets and income, all as are specified in our Residency Policy.

**NOW, THEREFORE,** this Agreement is made and entered into between us and Resident as a commitment by Resident and us to the terms and conditions hereinafter set forth.

**1. THE RESIDENCE.** We agree to make available to you, for as long as you live and subject to the terms of this Agreement, a room, studio, apartment or cottage at the Community described as follows: \_\_\_\_\_, \_\_\_\_\_ no. \_\_\_\_\_ (hereafter "Residence"), and to provide, for your lifetime, the services and amenities described in Section 3.1 below. You may select certain options and custom features in the Residence at an extra charge, which shall not be subject to any repayment provision herein. Any such options and custom features selected and paid for by you will become our property. Such options and custom features must be approved by the Executive Director of the Community prior to adding them to the Residence. The Executive Director of the Community has consented to your request to add the non-standard features set forth on Exhibit A to the Residence, and you agree to pay the amount(s) set forth on Exhibit A to cover the additional charges for these features.

**2. CHARGES FOR RESIDENCE AND PRIMARY SERVICES.**

**2.1 Application Fee.** Prior to or upon execution of this Agreement, you will pay to us an Application Fee of \$\_\_\_\_\_. The Application Fee will be used by us to process your application for residency and is non-refundable.

**2.2 Entrance Fee.** In order to reside at the Community for life, subject to this Agreement, and to receive the services described below, you agree to pay to us (in



addition to the Monthly Fee described below) an Entrance Fee in the amount of \$\_\_\_\_\_. The total amount of the Entrance Fee shall be payable as follows:

**2.2.1** Ten percent (10%) of the total Entrance Fee or \$\_\_\_\_\_ is due and payable upon your execution of this Agreement.

**2.2.2** The balance of \$\_\_\_\_\_ of the Entrance Fee shall be paid on the date of occupancy at the Community but in no event later than ninety (90) days after your execution of this Agreement.

**2.3 Monthly Fee.** You are obligated to begin paying a Monthly Fee (or a pro rata portion thereof) on the date you assume occupancy at the Community or within ninety (90) days from the date this Agreement is executed by you, whichever is earlier. Thereafter, the Monthly Fee shall be paid by the tenth (10<sup>th</sup>) day of each month during the term of this Agreement. The Monthly Fee is initially set at a specific amount that can be increased as described in Section 2.6 below. A "Second Person Monthly Fee" shall become part of the Monthly Fee and shall be paid if two persons are Joint Residents under this Agreement. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component.

**2.4 Initial Monthly Fee.** The initial Monthly Fee payable by you is \$\_\_\_\_\_ per month and an additional \$\_\_\_\_\_ per month as a Second Person Monthly Fee component of the

Monthly Fee if two persons reside as Joint Residents pursuant to this Agreement.

**2.5 Continuance of Monthly Fee.** The Monthly Fee will continue until (i) your death (in the case of Joint Residents, the death of the surviving Resident), or (ii) surrender of your Residence due to your permanent assignment to Health Center Level Services (as defined in Section 5.1), or (iii) the cancellation of this Agreement as outlined in Sections 8 and 9. If this Agreement is canceled on a date other than the last day of the month, the amount of the Monthly Fee shall be prorated to the date of cancellation. If you have paid more than the prorated Monthly Fee, we will repay the excess amount to you within thirty (30) days after the date of cancellation.

**2.6 Increase in Monthly Fee.** The Monthly Fee is paid to us to provide the services and amenities described in this Agreement, and is intended to meet the expenses associated with the operation of the Community. We may increase the Monthly Fee (which includes the Second Person Monthly Fee where applicable) upon thirty (30) days' written notice if we, in our sole discretion, deem it necessary to meet the financial needs of the Community or to provide services to the Residents.

**2.7 Reduction in Monthly Fee Due to Absence.** If you are absent from the Community for more than seven (7) consecutive days, you will be eligible for a Monthly Fee credit equivalent to the costs of meals paid for and not consumed. You are required to notify us in advance of your absence in order to qualify for the Monthly Fee credit.

**2.8 Reserve Funds.** The amount of the Monthly Fee is and will continue to be

affected by our policy of maintaining reserve funds for the financial security of the Community.

**2.9 Late Payment Charge.** We may charge a one percent (1%) late payment charge per month on any Monthly Fees or extra charges that have not been paid within thirty (30) days of receipt of a monthly statement from us.

### **3. DESCRIPTION OF PRIMARY AND SUPPLEMENTAL SERVICES.**

**3.1 Services Provided for the Monthly Fee.** We will provide you, in consideration for the Monthly Fee referred to above, the following services and amenities at the Community:

- As of the date you executed this Agreement the monthly Dining Allocation is \$\_\_\_\_\_ per month. Each Resident will receive the monthly Dining Allocation as part of the Monthly Fee and Second Person Monthly Fee, to be applied toward dining charges in the main dining room, other designated dining areas, or for other food and beverage services. This Dining Allocation may be expended by you, or with your permission, your guests. Each month, you will be charged for any dining charges in excess of your Dining Allocation. Any unused Dining Allocation at the end of a month can be carried over up to thirty (30) days, but will expire after such thirty (30) days. Your monthly Dining Allocation will be adjusted annually to reflect changes in food service expenses;
- Water, sewer, air conditioning, heating, electricity, trash removal, and municipal services. The Resident is responsible for the charges related to telephone, and cable or satellite television reception;

- Access to one unassigned parking stall (other spaces, if available, may be provided for an additional fee);
- Building and grounds maintenance;
- Weekly housekeeping service;
- Availability of laundry facilities so that you may wash and dry personal laundry;
- Planned activities -- social, educational, cultural, recreational, and spiritual -- for those who wish to participate;
- Services of an activities director;
- Use of the Community's common areas and amenities during scheduled hours -- central dining room, chapel, library, mail boxes, lounges, arts and crafts room, exercise areas, community garden, dog park, fellowship hall, and woodworking shop;
- Carpeting (except in the kitchen and bath where there is other floor covering);
- A kitchen, including refrigerator with icemaker, range/oven, garbage disposal, dishwasher, and microwave;
- Local transportation scheduled by us;
- Twenty-four (24) hour emergency call monitoring in your Residence by nursing staff;
- Guest parking areas;
- Fire detection system;
- Security for buildings and grounds;
- Health Center Level Services, for thirty (30) free annual days of care (see Section 5 for additional details).

**3.2 Supplemental Services Provided for an Extra Charge.** Supplemental services, when available, will be provided at extra charge and are described below:

- Additional meals in the dining room over those provided in consideration for the Monthly Fee;
- Guest accommodations, if available;
- Certain other supplies and services such as medicine, drugs, prescribed therapy,

Health Center Medical Director, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment;

- Other optional services related or unrelated to care in the Health Center as approved by us;
- Personal laundry service;
- Guest meals;
- Additional housekeeping services;
- Special events transportation;
- Extended dietician services when ordered by your attending physician or dietician services not ordered by your attending physician;
- Tray service to your Residence when ordered by your attending physician, the Health Center Medical Director, the Health Center director of nursing, assistance-in-living director or resident services director;
- Health Center Level Services beyond the thirty (30) free annual days of care.

#### **4. TERMS OF RESIDENCY.**

**4.1 Use of the Residence.** The Residence is for living only and will not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions. This Agreement is not a lease, and grants you only a lifetime use of the Residence and other facilities of the Community and to available services, subject to the terms and conditions of this Agreement.

**4.2 Duration of Your Right to Occupy the Residence.** You may reside in your Residence for as long as you (or either of you in the case of Joint Residents) live unless you (both of you in the case of Joint Residents) are not capable of occupancy as set forth in our Residency Policy, or this Agreement is canceled by you or by us. A copy of our current Residency Policy, outlining the

age, health and financial requirements for residency, is available for review in the Community Marketing Office. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that assisted living, skilled nursing care, or specialized care for dementia or related disorders be given, you will be requested to relocate to the Community Health Center where we are licensed to provide such care.

#### **4.3 Occupants of the Residence.**

Except as hereinafter provided, no person other than you (both of you in the case of Joint Residents) may occupy the Residence. In the event that a second person who is not a party to this Agreement is accepted for residency in the Residence at a time subsequent to the date hereof (said acceptance to be in accordance with our current Residency Policy), an Entrance Fee in an amount to be determined by us (which will be no more than one-half of the then-current Entrance Fee for the Residence) shall be paid upon residency, and each month thereafter, the then-current Second Person Monthly Fee shall be paid as part of the Monthly Fee. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than thirty (30) days, except with our express written approval.

If the Resident marries a person who is also a resident of the Community, and should they decide to occupy one residence as Joint Residents, they must declare which residence will be occupied and which residence will be surrendered. The repayment due for the surrendered residence, if any, will be provided pursuant to the Entrance Fee repayment terms in the residency agreement of the surrendered residence.

**4.4 Guests.** Guests are welcome to stay in your Residence for short stays not to exceed ten (10) consecutive days. Such stay shall not, in the opinion of the Executive Director, adversely affect the operation of the Community or be inconsistent with the welfare of other residents.

**4.5 Release.** We are not responsible for loss of or damage to your personal property, unless such loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from such liability.

**4.6 Insurance.** You are required at your own expense to carry personal property insurance and liability insurance. If requested by us, you agree to provide us with proof of such insurance coverage.

**4.7 Removal and Storage of Resident's Personal Property.** Your personal property must be removed from the Residence within thirty (30) days following any of the following dates: (i) the date of your death (if Joint Residents, the date of death of the surviving Resident), (ii) the date notice of cancellation is delivered by you or us pursuant to Section 8 or 9, or (iii) the date notice is delivered to you of your permanent assignment or transfer to the Community Health Center or a Comparable Facility for Health Center Level Services (see definitions in Sections 5.1 and 5.2). If your personal property has not been removed from the Residence within such thirty (30) day period, then we may, in our sole discretion, either charge you an additional Monthly Fee for each month thereafter during which such personal property remains in the Residence or remove and store such personal property at the expense and risk of you or your estate. In the event of your death, while you are a resident of the Community under this Agreement, only the executor(s) named in

your Will will be allowed to remove or dispose of your furnishings and belongings in your living accommodation and any related storage areas at the Community. Members of your family or those to whom you have granted Power of Attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

**4.8 Furnishings.** Furnishings within the Residence provided by you shall not be such as to interfere with the health, safety or general welfare of you, other residents, or others.

**4.9 Emergency Entry and Relocation.** We may enter your Residence should it be necessary in an emergency to protect your health and safety or the health and safety of other residents. If relocation is recommended by the Medical Director or your attending physician, we will request that you relocate to another residence within the Community, or to the Community Health Center or a Comparable Facility (as defined in Section 5.2) for the protection of your health or safety or for the health or safety of the other residents of the Community.

**4.10 Alterations by You.** You may not undertake any alterations to your Residence without our prior written approval, as set forth in a separate addendum to this Agreement.

**4.11 Condition of Residence.** Upon vacating the Residence, you agree to leave it in good condition, except for normal wear and tear. You shall be liable to us for any charges incurred to restore your Residence to good condition, normal wear and tear excepted.

**4.12 Rights of Second Single Resident.** When two Joint Residents reside in a single Residence under this Agreement, upon the death or permanent assignment of one Resident to the Community Health Center Level Services, or other inability to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the terms of this Agreement and shall pay the Monthly Fee.

## **5. THE COMMUNITY HEALTH CENTER.**

**5.1 Description.** The Community Health Center is the portion of the Community which is licensed to provide assisted living, skilled nursing care, and specialized care for dementia or related disorders (collectively "Health Center Level Services"). The Community Health Center is staffed by licensed nursing personnel 24 hours a day.

**5.2 Alternate Accommodations.** You will be given priority over non-residents for admission to the Community Health Center. In the event the Community Health Center is fully occupied when you are determined appropriate for admission, you agree to relocate to an alternate health care facility that provides services similar to the Community Health Center (a "Comparable Facility"). Upon your relocation to a Comparable Facility, you shall continue to be responsible for the Monthly Fee (unless your Residence is surrendered). We will not be responsible for the charges associated with the Comparable Facility.

**5.3 Thirty (30) Annual Days of Nursing Care in the Community Health Center.** You are eligible to receive thirty (30) annual days of nursing care (non-cumulative) in the Community Health Center (while you are a resident of your Residence), without

paying the Health Center per diem charge. In the case of Joint Residents, each of you will receive thirty (30) annual days, but the days cannot be combined and used by only one of you, and unused days cannot be carried over to subsequent years. You are required to pay any charges for physician services and any additional health services as outlined in Section 5.10. Once you are permanently assigned to the Health Center, you no longer qualify for the thirty (30) annual days.

**5.4 Transfer to Health Center Level Services.** In the event your physical or mental health is determined by us to be appropriate for Health Center Level Services, you agree to relocate to the Community Health Center or a Comparable Facility. Such a determination will be made by us after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

**5.5 Temporary Assignment to the Community Health Center.** In the event you require temporary care in the Community Health Center beyond the thirty (30) annual days of care as outlined in Section 5.4, you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Section 5.10. In addition, you will continue to pay the Monthly Fee for your Residence.

**5.6 Permanent Assignment to Health Center Level Services.** In the event you require permanent care in the Community Health Center beyond the thirty (30) annual days of care as outlined in Section 5.4, you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any

additional health services as outlined in Section 5.10. If you are determined appropriate for Health Center Level Services, and are admitted or relocated to the Community Health Center or a Comparable Facility, you will be required to surrender the Residence to us. We shall have the right to reassign the Residence for occupancy by others except as provided in Section 4.12. Release of the Residence due to your permanent assignment to the Community Health Center or to a Comparable Facility does not qualify you for reimbursement of the Entrance Fee, unless this Agreement is canceled.

Once the Residence is surrendered, you will no longer be obligated to pay the Monthly Fee for the Residence.

**5.7 Relocation within the Community Health Center.** We reserve the right to relocate you to a different level of care within the Community Health Center if you require such care. Such relocation will be made after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

**5.8 Return to Residence.** If we subsequently determine, in consultation with your attending physician, your personal representative and you to the extent possible, that you can resume occupancy in a residence equivalent to the residence you previously occupied, you shall have the right to relocate to such equivalent residence as soon as one is available. Upon reoccupying a residence, your Monthly Fee will be based on the then-current Monthly Fee for the residence.

**5.9 Medical Director, Attending Physician, and Additional Health Services.** We have designated a licensed physician to

serve as Medical Director of the Community Health Center. You are required to have a local attending physician. You may engage the services of the Medical Director at your expense. We will not be responsible for the charges for medical treatment or services by the Medical Director or your attending physician, nor will we be responsible for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

**5.10 Advanced Charges for Medical Treatment.** In the event we incur or advance payment for your medical treatment or for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment (even in the event such medical care is given at the direction of your attending physician or the Medical Director without your prior approval), you shall promptly reimburse us for such payments. Upon cancellation of this Agreement for any reason, any amounts due to us under this Section 5.11 shall be offset against any repayment of the Entrance Fee.

**5.11 Medicare and Health Insurance.** When age eligible, you are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility. You shall furnish to us such evidence of coverage as we may from time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, or

should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in the Community Health Center or a Comparable Facility. If you are eligible to receive the thirty (30) annual days of care in the Community Health Center as provided in Section 5.4 and your stay in the Community Health Center is a Medicare-qualified stay, such thirty (30) annual days will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B and acceptable supplemental health insurance or equivalent insurance coverage.

If you are not eligible for Medicare, you shall maintain health insurance coverage acceptable to us and shall furnish us with evidence of such coverage upon our request. Should your health insurance not fully cover your stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each admission and stay in the Community Health Center or a Comparable Facility.

If failure to maintain Medicare Part A, Medicare Part B, supplemental health insurance or other health insurance coverage causes depletion of your resources and impairs your ability to meet your financial obligations, we need not defer your financial obligations to us as outlined in Section 7.1, and we retain the right to revoke your right to reside at the Community and cancel the Residency Agreement as provided in Section 9.

**5.12 Managed Care.** If you have chosen to participate in a managed care pro-

gram as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:

**5.12.1 Participating Provider.** If the Community Health Center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, the Community agrees to be reimbursed at the rate negotiated with your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care you are eligible to receive without extra charge pursuant to Section 5.4.

**5.12.2 Not a Participating Provider.** If the Community Health Center is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all charges for health care services. In addition, while receiving health care services at the managed care participating provider, you agree that unless this Agreement is canceled, you will continue to pay the Monthly Fee for your Residence, unless your Residence has been surrendered to us. Such a stay at a managed care participating provider other than the Community Health Center will not reduce the number of days of care that you are eligible to receive without extra charge pursuant to Section 5.4.

**5.12.3 Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we will use our best effort to negotiate a reimbursement rate with

your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care that you are eligible to receive without extra charge pursuant to Section 5.4.

**5.12.4 No Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive health care in the Community Health Center during a Medicare-qualified stay, then each day of your stay in the Community Health Center will reduce by one day the number of days of care you are eligible to receive without extra charge pursuant to Section 5.4. During any such Medicare-qualified stay in the Community Health Center, you agree that you will continue to pay the Monthly Fee, unless your Residence has been surrendered to us, the charges for medication, prescribed therapy, medical treatment by physicians, and other medical and miscellaneous supplies and services associated with medical treatment. If at any time during any such Medicare-qualified stay in the Community Health Center you are no longer eligible to receive any of the days of care provided for in Section 5.4, then you agree to pay the per diem rate for your care in the Community Health Center, the charges for medication, prescribed therapy, medical treatment by physicians, and other medical and miscellaneous supplies and services associated with medical treatment, and the Monthly Fee for your Residence, unless your Residence has been surrendered to us.

**5.12.5 Post Medicare-Qualified Stay.** At the conclusion of each such Medicare-qualified stay, you will be

entitled to health care in the Community Health Center in accordance with the terms of this Agreement other than as provided in this Section 5.13, as adjusted to reflect any reduction during such stay in the number of days of care that you are eligible to receive without extra charge as provided in Section 5.4.

**5.13 Transfer to Hospital or Other Care Facility.** If we determine after consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond that which the Community Health Center is licensed to provide, you will be transferred to a hospital or other care facility. We shall not be responsible for any charges associated with the transfer and health care expenses or charges incurred by you after such a transfer. You shall continue to pay the Monthly Fee until your Residence is surrendered.

**5.14 Community Health Center Admission Agreement.** If you require care in the Community Health Center, you agree to enter into a separate Community Health Center Admission Agreement to be signed by you and us.

**5.15 Under Age 60.** If you are under the age of 60 when you occupy your Residence under this Agreement, you are not eligible to receive thirty (30) annual days of nursing care in the Community Health Center as described in Section 5.4 until you attain the age of 60. During this time, you will be entitled to Health Center Level Services at the then-current rate being charged to non-residents until age 60.

## **6. REPRESENTATIONS.**

**6.1 Our Representations.** We represent and warrant that we are a nonprofit corporation and that we do not propose to



operate at a profit. We are exempt from payment of Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. We are affiliated with The Grand Lodge of North Carolina and The Grand Chapter, Order of the Eastern Star in North Carolina. The Grand Lodge of North Carolina and The Grand Chapter, Order of the Eastern Star in North Carolina are not responsible for our financial or contractual obligations.

**6.2 Your Representations.** You represent and warrant that the representations made in the application for residency, your personal health history, and the confidential financial statement are true and correct and may be relied upon by us as a basis for your acceptance for residency at the Community. You also represent and warrant that you have not made any gift of your property in contemplation of the execution of this Agreement.

## **7. PROMISES.**

**7.1 Our Promises.** It is and shall be our declared policy to operate as a non-profit organization. We will not cancel this Agreement without just cause as specified in Section 9. Further, we shall not cancel this Agreement solely by reason of your financial inability to pay the full Monthly Fee or the per diem charge for care in the Community Health Center. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. You shall be permitted to remain at the Community for a reduced fee based on your ability to pay for as long as you establish facts to justify deferment of such charges and when deferment of such charges can, in our

sole discretion, be granted without impairing our ability to operate the Community on a sound financial basis for the benefit of the residents.

**7.2 Your Promises.** You agree to comply with all policies and procedures of the Community as now existing or as hereafter amended; to pay the Entrance Fee, Monthly Fee, and any other charges as provided in this Agreement; to not impair your ability to meet the financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance, without our consent, and to abide by all other terms of this Agreement.

## **8. CANCELLATION BY RESIDENT.**

**8.1 Right of Rescission.** Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. Repayment of the amount of the Entrance Fee paid shall be as outlined in Section 10.2.

**8.2 Cancellation Prior to Occupancy.** You may cancel this Agreement for any reason at any time before you move into the Community by giving us written notice signed by you (both of you in the case of Joint Residents). Repayment of the amount of the Entrance Fee paid shall be as outlined in Section 10.3 or 10.4. If you die prior to occupying the Residence or if, on account of illness, injury or incapacity, you are precluded from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel. Repayment of the

Entrance Fee shall be as outlined in Section 10.3.

**8.3 Cancellation After Occupancy.** You may cancel this Agreement for any reason after moving into the Community by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must vacate the Residence within the thirty (30) days. You are obligated to pay the Monthly Fee during the thirty (30) days. Repayment of the Entrance Fee shall be as outlined in Section 10.5.

**8.4 Cancellation Due to Death After Occupancy.** This Agreement will automatically cancel upon your death (the death of the surviving Resident in the case of Joint Residents). After such automatic cancellation, your personal representative will have thirty (30) days from the date of your death to remove your personal property from the Residence. Repayment of the Entrance Fee shall be as outlined in Section 10.5.

## **9. CANCELLATION BY US.**

**9.1 Cancellation Upon Notice.** We may, upon notice and opportunity to cure as hereinafter provided, cancel this Agreement for just cause. Just cause shall include the occurrence of any of the following events (hereinafter referred to as a "Default"):

**9.1.1 Noncompliance.** You do not comply with the terms of this Agreement or the published operating procedures, covenants, rules, regulations, and policies now existing or later amended by us.

**9.1.2 Misrepresentation.** You misrepresent yourself or fail to disclose information during the residency process.

**9.1.3 Nonpayment.** You fail to pay any charges to us, subject to the provisions of Section 7.1, within sixty (60) days of the date when such charges are due.

**9.1.4 Threat to Health or Safety.** Your health status or behavior constitutes a substantial threat to the health or safety of yourself, other residents, or others including your refusal to consent to relocation or behavior that would result in physical damage to the property of others.

**9.1.5 Change in Condition.** There is a major change in your physical or mental condition and your condition cannot be cared for in the Community Health Center within the limits of our license.

**9.2 Default Notice.** Prior to cancellation for any Default described in Section 9.1.1, 9.1.2 or 9.1.3 above, we shall give you notice in writing of such Default, and you shall have at least thirty (30) days thereafter within which to correct such Default. No Default shall eliminate your obligation to pay the Monthly Fee until cancellation. If you correct such Default within such time, this Agreement shall not be canceled. If you fail to correct such Default within such time, this Agreement shall cancel at the expiration of such thirty (30) days.

In the event of the occurrence of a Default described in Section 9.1.4 or 9.1.5 above, if we or the Medical Director determines that either the giving of notice of Default or the lapse of time as above provided might be detrimental to you or others, then such notice and/or waiting period prior to cancellation shall not be required. Also, in the event of the occurrence of a Default described in Section 9.1.4 or 9.1.5, we are expressly authorized by you to transfer you to an appropriate hospital or other facility, and we

will promptly notify your personal representative or attending physician.

## **10. REPAYMENT OF ENTRANCE FEE.**

**10.1 Nonacceptance by Us.** If we do not accept you for residency at the Community, the full amount of the Entrance Fee you have paid will be promptly repaid to you, with interest.

**10.2 Right of Rescission.** If you rescind this Agreement as provided in Section 8.1, you shall receive a repayment of the portion of the Entrance Fee paid by you, less (i) a service charge equal to the greater of one-thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee, and (ii) less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Such repayment shall be paid within sixty (60) days of our receipt of the written notice of rescission.

**10.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, Incapacity, or Change in Financial Condition.** If, prior to occupancy, you die or you cancel this Agreement because of illness, injury, incapacity, or change in your financial condition, you or your estate will receive a repayment of the portion of the Entrance Fee paid by you, less (i) a service charge equal to the greater of one-thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee, and (ii) less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Such repayment shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

**10.4 Cancellation Prior to Occupancy for Other Reasons.** If you cancel this Agreement for reasons other than those stated in Section 10.3 above, you shall receive a repayment of the portion of the Entrance Fee paid by you, less (i) a service charge equal to the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee, and (ii) less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Such repayment shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

**10.5 Cancellation After Occupancy.** In the event you or we cancel this Agreement after occupancy or in the event of your death (the death of the survivor in the case of Joint Residents), you or your estate will be reimbursed ninety-six percent (96%) of the total Entrance Fee paid upon residency, less an amount equal to two percent (2%) for each month of residency for up to twenty-three (23) months. Subject to our offset rights outlined in Section 10.6, the repayment of the Entrance Fee will not be less than fifty percent (50%). Such repayment will be paid, without interest, within sixty (60) days after your Residence has been reserved by a new resident and our receipt of the full amount of the Entrance Fee paid by such new resident. In the event your Residence is not reserved by a new resident, such repayment will be paid, without interest, within twenty-four (24) months from the date cancellation of your Residency Agreement becomes effective.

**10.6 Offset Against Entrance Fee Repayment.** In the event of cancellation of this Agreement after occupancy as described in Section 10.5 above, we will offset against any Entrance Fee repayment due to you the following:

**10.6.1** The amount of any Monthly Fees or other charges deferred by us on your behalf under Section 7.1; and

**10.6.2** Any health care expenses incurred on your behalf and other amounts payable to us, which remain unreimbursed; and

**10.6.3** Any charges incurred to restore the Residence to good condition, normal wear and tear excepted, as outlined in Section 4.11; and

**10.6.4** Any charges incurred as a result of non-standard features added to the Residence at your request as outlined in Exhibit A or in a separate addendum to this Agreement.

## **11. MISCELLANEOUS.**

**11.1 Nature of Rights.** You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 10; (ii) this Agreement and your contractual right to occupy the Community will exist and continue to exist during your lifetime unless canceled as provided herein; (iii) this Agreement grants you a revocable right to occupy and use space in the Community but does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement

grants to us complete decision-making authority regarding the management and operation of the Community.

**11.2 Release.** We are not responsible for loss of or damage to your personal property, unless such loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from any such liability. You may want to obtain at your own expense insurance to protect against such losses.

**11.3 Amendment.** This Agreement may be amended by agreement of the parties to this Agreement. No amendment of this Agreement shall be valid unless in writing and signed by you and us.

**11.4 Law Changes.** This Agreement may be modified by us at any time in order to comply with applicable laws or regulations. Further, we may change any part of the Community, including the Residence, to meet the requirements of any applicable law or regulation.

**11.5 Entire Agreement.** This Agreement and any addenda or amendments thereto contain our entire understanding with respect to your residency at the Community.

**11.6 Monthly Statement.** You shall receive a monthly statement from us showing the total amount of fees and other charges owed by you, which shall be paid by the tenth (10<sup>th</sup>) day of each month.

**11.7 Responsible Party for Business and Financial Decision Making.** Within sixty (60) days after assuming residency at the Community, you agree to execute and deliver to us a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial

decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Community.

**11.8 Disposition of Furniture, Possessions, and Property.** Within sixty (60) days after the date of residency, you agree to make provision by will or otherwise for the disposition of all of your furniture, property, and possessions located on the premises of the Community.

**11.9 Nonwaiver.** If we fail to insist in any instance upon performance of any of the terms, promises, or conditions of this Agreement, it shall not be construed as a waiver or relinquishment of the future performance of any such terms, promises, or conditions, but your obligation with respect to such future performances shall continue in full force and effect.

**11.10 Notices.** Any notice required to be given to us under this Agreement shall be in writing and sent certified mail or hand-delivered to the Executive Director of the Community at 700 South Holden Road; Greensboro, North Carolina 27407. Such notices shall be dated and signed.

Any notice required to be given to you shall be delivered to you at the Community or at such other place as you shall designate to us in writing. All notices mailed in accordance with this Section shall be deemed to be given when mailed whether or not they are actually received.

**11.11 Indemnity.** We will not be liable for and you agree to indemnify, defend and hold us harmless from claims, damages and expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your negligent or intentional act or omission or that of your guests.

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

**11.13 Subordination.** You agree that all your rights under this Agreement will always be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Community, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender or lenders such further written evidence of such subordination as such lenders may reasonably require. Except to the extent of your obligation to pay the Monthly Fee and Second Person Monthly Fee, you shall not be liable for any such indebtedness.

**11.14 Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. This Agreement will become effective upon acceptance and signature by us.

**11.15 Resident.** In the case of Joint Residents, the rights and obligations of each are joint and several except as the context of this Agreement otherwise requires.

**11.16 Reimbursement for Loss or Damage.** You or your responsible party, if applicable, agree to reimburse us for any loss or damage to the Community caused by your intentional, careless, or negligent acts or omissions or that of your guests.

**11.17 Reimbursement of Charges.** You agree to reimburse us for any charges we incur to collect any unpaid amounts you owe to us under this Agreement.

**11.18 Transfers.** We may sell or transfer our interest in the Community provided the buyer will agree to assume this Agreement and all other existing Residency Agreements. Upon the assumption of this Agreement by a buyer of the Community and its agreement to perform this Agreement and all other agreements, we will have no further obligation hereunder. Your signature hereto constitutes your consent and approval of any such future transaction.

**11.19 Private Employee of Resident.** If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency (personal service provider). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home health agency. In any event, you must comply with our policy regarding personal service providers, and ensure that your private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct set forth in our policy. If you fail to follow or enforce the policies and rules set forth therein, then we may elect, at our sole option, to cancel this Agreement.

**11.20 Tax Considerations.** You should consult with your tax advisor regarding

the tax considerations associated with this Agreement.

**11.21 Management.** We have engaged the services of Life Care Services LLC to manage the Community. We are not affiliated with Life Care Services nor is Life Care Services responsible for our contractual or financial obligations or the contractual or financial obligations of the Community.

**11.22 Governing Law.** This Agreement will be governed, interpreted and construed according to the laws of the State of North Carolina.

**11.23 Survival of Representations and Obligations.** Your representations and obligations under this Agreement, including but not limited to, your obligation to pay all sums owed by you to us, and your agreement to indemnify us as set forth in Section 11.11, and our representations and obligations under this Agreement, will survive any cancellation of your residency in the Community, regardless of the reason for such cancellation and regardless of whether it is initiated by you or by us.

**11.24 Acknowledgment of Receipt of Documents.** You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement.

## **12. ARBITRATION.**

**12.1 Voluntary Arbitration of Negligent Health Care Claims.** For all claims for damages for personal injury or wrongful death based on alleged negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C.G.S. §90-21.60(b) prohibits any

contract from requiring prior agreement of the parties to arbitrate alleged negligent health care claims. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

**12.2 Arbitration for Other Claims.** You agree that any dispute, claim or controversy of any kind (except for those disputes, claims or controversies arising under Paragraph 12.1 above) between the parties arising out of, in connection with, or relating to this Agreement and any amendment hereof, or the breach hereof, which cannot be resolved by mutual agreement or in small claims court, will be submitted to and determined by arbitration in Guilford County, North Carolina in accordance with the Federal Arbitration Act and the then-current commercial arbitration rules of the Federal Arbitration Act. You and we will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in State law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all residents of the Community, provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue affects more than one resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

**12.3 Withdrawal of Agreement to Arbitrate.** You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us.

**12.4 Binding Effect of Arbitration.** This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

---

**RESIDENT**

---

Witness

---

**RESIDENT**

---

Witness

Approved this \_\_\_\_ day of \_\_\_\_\_,  
20\_\_\_\_.

**THE MASONIC AND EASTERN STAR  
HOME OF NORTH CAROLINA, INC.  
d/b/a WhiteStone: A Masonic & Eastern  
Star Community**

---

Printed Name of Authorized Representative

---

Signature of Authorized Representative

Attachment: Exhibit A



05/27/2015

J:\Complnc\WhiteStone\Agreements URM\Residency  
Agreements URM\50% Return of Capital Residency  
Agreement (2015-05-27).doc



**Exhibit A**

| <b>Non-Standard Features Added at Resident's Request:</b> | <b>Amount</b> |
|---|---------------|
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
| <b>Total of Non-Standard Features</b>                     | \$            |

**Initials** \_\_\_\_\_  
**Community**

\_\_\_\_\_  
**Resident(s)**

# **EXHIBIT 7**

## **90% Return-of-Capital™ Residency Agreement**



**700 South Holden Road  
Greensboro, North Carolina 27407  
(336) 299-0031**

**90% Return-of-Capital™  
Residency Agreement**

05/27/2015

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Exhibit A – Non-Standard Features Added at Resident's Request

**WHITESTONE: A MASONIC & EASTERN STAR COMMUNITY**  
**90% RETURN-OF-CAPITAL™**  
**RESIDENCY AGREEMENT**

**RECITALS:**

**A. Provider.** The Masonic and Eastern Star Home of North Carolina, Inc., a non-profit corporation (hereafter "we" or "us" or "our"), is the provider of a continuing care retirement community known as WhiteStone: A Masonic & Eastern Star Community (the "Community") located in Greensboro, North Carolina.

**B. Resident.** \_\_\_\_\_ ("Resident" or "you" or "your", or when two people ("Joint Residents") are named in this Agreement, each of them and the survivor of them, except as otherwise indicated) wishes to live at the Community and to enjoy, consistent with the rights, welfare and contentment of the other residents, the facilities and services provided by the Community.

**C. Requirements for Residency.** Except as waived by us after full disclosure, we require that Resident be at least sixty (60) years of age or applying for the same Residence with a Joint Resident who is sixty (60) or older, be capable of meeting the requirements of occupancy with or without reasonable accommodation and/or reasonable modification, and have sufficient assets and income, all as are specified in our Residency Policy.

**NOW, THEREFORE,** this Agreement is made and entered into between us and Resident as a commitment by Resident and us to the terms and conditions hereinafter set forth.

**1. THE RESIDENCE.** We agree to make available to you, for as long as you live and subject to the terms of this Agreement, a room, studio, apartment or cottage at the Community described as follows: \_\_\_\_\_, \_\_\_\_\_ no. \_\_\_\_\_ (hereafter "Residence"), and to provide, for your lifetime, the services and amenities described in Section 3.1 below. You may select certain options and custom features in the Residence at an extra charge, which shall not be subject to any repayment provision herein. Any such options and custom features selected and paid for by you will become our property. Such options and custom features must be approved by the Executive Director of the Community prior to adding them to the Residence. The Executive Director of the Community has consented to your request to add the non-standard features set forth on Exhibit A to the Residence, and you agree to pay the amount(s) set forth on Exhibit A to cover the additional charges for these features.

**2. CHARGES FOR RESIDENCE AND PRIMARY SERVICES.**

**2.1 Application Fee.** Prior to or upon execution of this Agreement, you will pay to us an Application Fee of \$\_\_\_\_\_. The Application Fee will be used by us to process your application for residency and is non-refundable.

**2.2 Entrance Fee.** In order to reside at the Community for life, subject to this Agreement, and to receive the services described below, you agree to pay to us (in

addition to the Monthly Fee described below) an Entrance Fee in the amount of \$\_\_\_\_\_. The total amount of the Entrance Fee shall be payable as follows:

**2.2.1** Ten percent (10%) of the total Entrance Fee or \$\_\_\_\_\_ is due and payable upon your execution of this Agreement.

**2.2.2** The balance of \$\_\_\_\_\_ of the Entrance Fee shall be paid on the date of occupancy at the Community but in no event later than ninety (90) days after your execution of this Agreement.

**2.3 Monthly Fee.** You are obligated to begin paying a Monthly Fee (or a pro rata portion thereof) on the date you assume occupancy at the Community or within ninety (90) days from the date this Agreement is executed by you, whichever is earlier. Thereafter, the Monthly Fee shall be paid by the tenth (10<sup>th</sup>) day of each month during the term of this Agreement. The Monthly Fee is initially set at a specific amount that can be increased as described in Section 2.6 below. A "Second Person Monthly Fee" shall become part of the Monthly Fee and shall be paid if two persons are Joint Residents under this Agreement. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component.

**2.4 Initial Monthly Fee.** The initial Monthly Fee payable by you is \$\_\_\_\_\_ per month and an additional \$\_\_\_\_\_ per month as a Second Person Monthly Fee component of the

Monthly Fee if two persons reside as Joint Residents pursuant to this Agreement.

**2.5 Continuance of Monthly Fee.** The Monthly Fee will continue until (i) your death (in the case of Joint Residents, the death of the surviving Resident), or (ii) surrender of your Residence due to your permanent assignment to Health Center Level Services (as defined in Section 5.1), or (iii) the cancellation of this Agreement as outlined in Sections 8 and 9. If this Agreement is canceled on a date other than the last day of the month, the amount of the Monthly Fee shall be prorated to the date of cancellation. If you have paid more than the prorated Monthly Fee, we will repay the excess amount to you within thirty (30) days after the date of cancellation.

**2.6 Increase in Monthly Fee.** The Monthly Fee is paid to us to provide the services and amenities described in this Agreement, and is intended to meet the expenses associated with the operation of the Community. We may increase the Monthly Fee (which includes the Second Person Monthly Fee where applicable) upon thirty (30) days' written notice if we, in our sole discretion, deem it necessary to meet the financial needs of the Community or to provide services to the Residents.

**2.7 Reduction in Monthly Fee Due to Absence.** If you are absent from the Community for more than seven (7) consecutive days, you will be eligible for a Monthly Fee credit equivalent to the costs of meals paid for and not consumed. You are required to notify us in advance of your absence in order to qualify for the Monthly Fee credit.

**2.8 Reserve Funds.** The amount of the Monthly Fee is and will continue to be



affected by our policy of maintaining reserve funds for the financial security of the Community.

**2.9 Late Payment Charge.** We may charge a one percent (1%) late payment charge per month on any Monthly Fees or extra charges that have not been paid within thirty (30) days of receipt of a monthly statement from us.

### **3. DESCRIPTION OF PRIMARY AND SUPPLEMENTAL SERVICES.**

**3.1 Services Provided for the Monthly Fee.** We will provide you, in consideration for the Monthly Fee referred to above, the following services and amenities at the Community:

- As of the date you executed this Agreement the monthly Dining Allocation is \$\_\_\_\_\_ per month. Each Resident will receive the monthly Dining Allocation as part of the Monthly Fee and Second Person Monthly Fee, to be applied toward dining charges in the main dining room, other designated dining areas, or for other food and beverage services. This Dining Allocation may be expended by you, or with your permission, your guests. Each month, you will be charged for any dining charges in excess of your Dining Allocation. Any unused Dining Allocation at the end of a month can be carried over up to thirty (30) days, but will expire after such thirty (30) days. Your monthly Dining Allocation will be adjusted annually to reflect changes in food service expenses;
- Water, sewer, air conditioning, heating, electricity, trash removal, and municipal services. The Resident is responsible for the charges related to telephone, and cable or satellite television reception;

- Access to one unassigned parking stall (other spaces, if available, may be provided for an additional fee);
- Building and grounds maintenance;
- Weekly housekeeping service;
- Availability of laundry facilities so that you may wash and dry personal laundry;
- Planned activities -- social, educational, cultural, recreational, and spiritual -- for those who wish to participate;
- Services of an activities director;
- Use of the Community's common areas and amenities during scheduled hours -- central dining room, chapel, library, mail boxes, lounges, arts and crafts room, exercise areas, community garden, dog park, fellowship hall, and woodworking shop;
- Carpeting (except in the kitchen and bath where there is other floor covering);
- A kitchen, including refrigerator with icemaker, range/oven, garbage disposal, dishwasher, and microwave;
- Local transportation scheduled by us;
- Twenty-four (24) hour emergency call monitoring in your Residence by nursing staff;
- Guest parking areas;
- Fire detection system;
- Security for buildings and grounds;
- Health Center Level Services, for thirty (30) free annual days of care (see Section 5 for additional details).

**3.2 Supplemental Services Provided for an Extra Charge.** Supplemental services, when available, will be provided at extra charge and are described below:

- Additional meals in the dining room over those provided in consideration for the Monthly Fee;
- Guest accommodations, if available;
- Certain other supplies and services such as medicine, drugs, prescribed therapy,

Health Center Medical Director, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment;

- Other optional services related or unrelated to care in the Health Center as approved by us;
- Personal laundry service;
- Guest meals;
- Additional housekeeping services;
- Special events transportation;
- Extended dietician services when ordered by your attending physician or dietician services not ordered by your attending physician;
- Tray service to your Residence when ordered by your attending physician, the Health Center Medical Director, the Health Center director of nursing, assistance-in-living director or resident services director;
- Health Center Level Services beyond the thirty (30) free annual days of care.

#### **4. TERMS OF RESIDENCY.**

**4.1 Use of the Residence.** The Residence is for living only and will not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions. This Agreement is not a lease, and grants you only a lifetime use of the Residence and other facilities of the Community and to available services, subject to the terms and conditions of this Agreement.

**4.2 Duration of Your Right to Occupy the Residence.** You may reside in your Residence for as long as you (or either of you in the case of Joint Residents) live unless you (both of you in the case of Joint Residents) are not capable of occupancy as set forth in our Residency Policy, or this Agreement is canceled by you or by us. A copy of our current Residency Policy, outlining the age,

health and financial requirements for residency, is available for review in the Community Marketing Office. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that assisted living, skilled nursing care, or specialized care for dementia or related disorders be given, you will be requested to relocate to the Community Health Center where we are licensed to provide such care.

#### **4.3 Occupants of the Residence.**

Except as hereinafter provided, no person other than you (both of you in the case of Joint Residents) may occupy the Residence. In the event that a second person who is not a party to this Agreement is accepted for residency in the Residence at a time subsequent to the date hereof (said acceptance to be in accordance with our current Residency Policy), an Entrance Fee in an amount to be determined by us (which will be no more than one-half of the then-current Entrance Fee for the Residence) shall be paid upon residency, and each month thereafter, the then-current Second Person Monthly Fee shall be paid as part of the Monthly Fee. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than thirty (30) days, except with our express written approval.

If the Resident marries a person who is also a resident of the Community, and should they decide to occupy one residence as Joint Residents, they must declare which residence will be occupied and which residence will be surrendered. The repayment due for the surrendered residence, if any, will be provided pursuant to the Entrance Fee repayment terms in the residency agreement of the surrendered residence.

**4.4 Guests.** Guests are welcome to stay in your Residence for short stays not to exceed ten (10) consecutive days. Such stay shall not, in the opinion of the Executive Director, adversely affect the operation of the Community or be inconsistent with the welfare of other residents.

**4.5 Release.** We are not responsible for loss of or damage to your personal property, unless such loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from such liability.

**4.6 Insurance.** You are required at your own expense to carry personal property insurance and liability insurance. If requested by us, you agree to provide us with proof of such insurance coverage.

**4.7 Removal and Storage of Resident's Personal Property.** Your personal property must be removed from the Residence within thirty (30) days following any of the following dates: (i) the date of your death (if Joint Residents, the date of death of the surviving Resident), (ii) the date notice of cancellation is delivered by you or us pursuant to Section 8 or 9, or (iii) the date notice is delivered to you of your permanent assignment or transfer to the Community Health Center or a Comparable Facility for Health Center Level Services (see definitions in Sections 5.1 and 5.2). If your personal property has not been removed from the Residence within such thirty (30) day period, then we may, in our sole discretion, either charge you an additional Monthly Fee for each month thereafter during which such personal property remains in the Residence or remove and store such personal property at the expense and risk of you or your estate. In the event of your death, while you are a resident of the Community under this Agreement, only the executor(s) named in

your Will will be allowed to remove or dispose of your furnishings and belongings in your living accommodation and any related storage areas at the Community. Members of your family or those to whom you have granted Power of Attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

**4.8 Furnishings.** Furnishings within the Residence provided by you shall not be such as to interfere with the health, safety or general welfare of you, other residents, or others.

**4.9 Emergency Entry and Relocation.** We may enter your Residence should it be necessary in an emergency to protect your health and safety or the health and safety of other residents. If relocation is recommended by the Medical Director or your attending physician, we will request that you relocate to another residence within the Community, or to the Community Health Center or a Comparable Facility (as defined in Section 5.2) for the protection of your health or safety or for the health or safety of the other residents of the Community.

**4.10 Alterations by You.** You may not undertake any alterations to your Residence without our prior written approval, as set forth in a separate addendum to this Agreement.

**4.11 Condition of Residence.** Upon vacating the Residence, you agree to leave it in good condition, except for normal wear and tear. You shall be liable to us for any charges incurred to restore your Residence to good condition, normal wear and tear excepted.

**4.12 Rights of Second Single Resident.** When two Joint Residents reside in a single Residence under this Agreement, upon the death or permanent assignment of one Resident to the Community Health Center Level Services, or other inability to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the terms of this Agreement and shall pay the Monthly Fee.

## **5. THE COMMUNITY HEALTH CENTER.**

**5.1 Description.** The Community Health Center is the portion of the Community which is licensed to provide assisted living, skilled nursing care, and specialized care for dementia or related disorders (collectively "Health Center Level Services"). The Community Health Center is staffed by licensed nursing personnel 24 hours a day.

**5.2 Alternate Accommodations.** You will be given priority over non-residents for admission to the Community Health Center. In the event the Community Health Center is fully occupied when you are determined appropriate for admission, you agree to relocate to an alternate health care facility that provides services similar to the Community Health Center (a "Comparable Facility"). Upon your relocation to a Comparable Facility, you shall continue to be responsible for the Monthly Fee (unless your Residence is surrendered). We will not be responsible for the charges associated with the Comparable Facility.

**5.3 Thirty (30) Annual Days of Nursing Care in the Community Health Center.** You are eligible to receive thirty (30) annual days of nursing care (non-cumulative) in the Community Health Center (while you

are a resident of your Residence), without paying the Health Center per diem charge. In the case of Joint Residents, each of you will receive thirty (30) annual days, but the days cannot be combined and used by only one of you, and unused days cannot be carried over to subsequent years. You are required to pay any charges for physician services and any additional health services as outlined in Section 5.10. Once you are permanently assigned to the Health Center, you no longer qualify for the thirty (30) annual days.

**5.4 Transfer to Health Center Level Services.** In the event your physical or mental health is determined by us to be appropriate for Health Center Level Services, you agree to relocate to the Community Health Center or a Comparable Facility. Such a determination will be made by us after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

**5.5 Temporary Assignment to the Community Health Center.** In the event you require temporary care in the Community Health Center beyond the thirty (30) annual days of care as outlined in Section 5.4, you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Section 5.10. In addition, you will continue to pay the Monthly Fee for your Residence.

**5.6 Permanent Assignment to Health Center Level Services.** In the event you require permanent care in the Community Health Center beyond the thirty (30) annual days of care as outlined in Section 5.4, you will pay the per diem charge applicable to the level of care needed by you, as well as the

charges for physician services and any additional health services as outlined in Section 5.10. If you are determined appropriate for Health Center Level Services, and are admitted or relocated to the Community Health Center or a Comparable Facility, you will be required to surrender the Residence to us. We shall have the right to reassign the Residence for occupancy by others except as provided in Section 4.12. Release of the Residence due to your permanent assignment to the Community Health Center or to a Comparable Facility does not qualify you for reimbursement of the Entrance Fee, unless this Agreement is canceled.

Once the Residence is surrendered, you will no longer be obligated to pay the Monthly Fee for the Residence.

**5.7 Relocation within the Community Health Center.** We reserve the right to relocate you to a different level of care within the Community Health Center if you require such care. Such relocation will be made after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

**5.8 Return to Residence.** If we subsequently determine, in consultation with your attending physician, your personal representative and you to the extent possible, that you can resume occupancy in a residence equivalent to the residence you previously occupied, you shall have the right to relocate to such equivalent residence as soon as one is available. Upon reoccupying a residence, your Monthly Fee will be based on the then-current Monthly Fee for the residence.

**5.9 Medical Director, Attending Physician, and Additional Health Services.**

We have designated a licensed physician to serve as Medical Director of the Community Health Center. You are required to have a local attending physician. You may engage the services of the Medical Director at your expense. We will not be responsible for the charges for medical treatment or services by the Medical Director or your attending physician, nor will we be responsible for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

**5.10 Advanced Charges for Medical Treatment.** In the event we incur or advance payment for your medical treatment or for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment (even in the event such medical care is given at the direction of your attending physician or the Medical Director without your prior approval), you shall promptly reimburse us for such payments. Upon cancellation of this Agreement for any reason, any amounts due to us under this Section 5.11 shall be offset against any repayment of the Entrance Fee.

**5.11 Medicare and Health Insurance.** When age eligible, you are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility. You shall furnish to us such evidence of coverage as we may from time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Community

Health Center or a Comparable Facility, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in the Community Health Center or a Comparable Facility. If you are eligible to receive the thirty (30) annual days of care in the Community Health Center as provided in Section 5.4 and your stay in the Community Health Center is a Medicare-qualified stay, such thirty (30) annual days will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B and acceptable supplemental health insurance or equivalent insurance coverage.

If you are not eligible for Medicare, you shall maintain health insurance coverage acceptable to us and shall furnish us with evidence of such coverage upon our request. Should your health insurance not fully cover your stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each admission and stay in the Community Health Center or a Comparable Facility.

If failure to maintain Medicare Part A, Medicare Part B, supplemental health insurance or other health insurance coverage causes depletion of your resources and impairs your ability to meet your financial obligations, we need not defer your financial obligations to us as outlined in Section 7.1, and we retain the right to revoke your right to reside at the Community and cancel the Residency Agreement as provided in Section 9.

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

**5.12.1 Participating Provider.** If the Community Health Center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, the Community agrees to be reimbursed at the rate negotiated with your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care you are eligible to receive without extra charge pursuant to Section 5.4.

**5.12.2 Not a Participating Provider.** If the Community Health Center is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all charges for health care services. In addition, while receiving health care services at the managed care participating provider, you agree that unless this Agreement is canceled, you will continue to pay the Monthly Fee for your Residence, unless your Residence has been surrendered to us. Such a stay at a managed care participating provider other than the Community Health Center will not reduce the number of days of care that you are eligible to receive without extra charge pursuant to Section 5.4.

**5.12.3 Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and your stay is a

Medicare-qualified stay, we will use our best effort to negotiate a reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care that you are eligible to receive without extra charge pursuant to Section 5.4.

**5.12.4 No Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive health care in the Community Health Center during a Medicare-qualified stay, then each day of your stay in the Community Health Center will reduce by one day the number of days of care you are eligible to receive without extra charge pursuant to Section 5.4. During any such Medicare-qualified stay in the Community Health Center, you agree that you will continue to pay the Monthly Fee, unless your Residence has been surrendered to us, the charges for medication, prescribed therapy, medical treatment by physicians, and other medical and miscellaneous supplies and services associated with medical treatment. If at any time during any such Medicare-qualified stay in the Community Health Center you are no longer eligible to receive any of the days of care provided for in Section 5.4, then you agree to pay the per diem rate for your care in the Community Health Center, the charges for medication, prescribed therapy, medical treatment by physicians, and other medical and miscellaneous supplies and services associated with medical treatment, and the Monthly Fee for your Residence, unless your Residence has been surrendered to us.

**5.12.5 Post Medicare-Qualified Stay.** At the conclusion of each such Medicare-qualified stay, you will be entitled to health care in the Community Health Center in accordance with the terms of this Agreement other than as provided in this Section 5.13, as adjusted to reflect any reduction during such stay in the number of days of care that you are eligible to receive without extra charge as provided in Section 5.4.

**5.13 Transfer to Hospital or Other Care Facility.** If we determine after consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond that which the Community Health Center is licensed to provide, you will be transferred to a hospital or other care facility. We shall not be responsible for any charges associated with the transfer and health care expenses or charges incurred by you after such a transfer. You shall continue to pay the Monthly Fee until your Residence is surrendered.

**5.14 Community Health Center Admission Agreement.** If you require care in the Community Health Center, you agree to enter into a separate Community Health Center Admission Agreement to be signed by you and us.

**5.15 Under Age 60.** If you are under the age of 60 when you occupy your Residence under this Agreement, you are not eligible to receive thirty (30) annual days of nursing care in the Community Health Center as described in Section 5.4 until you attain the age of 60. During this time, you will be entitled to Health Center Level Services at the then-current rate being charged to non-residents until age 60.

## **6. REPRESENTATIONS.**

**6.1 Our Representations.** We represent and warrant that we are a nonprofit corporation and that we do not propose to operate at a profit. We are exempt from payment of Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. We are affiliated with The Grand Lodge of North Carolina and The Grand Chapter, Order of the Eastern Star in North Carolina. The Grand Lodge of North Carolina and The Grand Chapter, Order of the Eastern Star in North Carolina are not responsible for our financial or contractual obligations.

**6.2 Your Representations.** You represent and warrant that the representations made in the application for residency, your personal health history, and the confidential financial statement are true and correct and may be relied upon by us as a basis for your acceptance for residency at the Community. You also represent and warrant that you have not made any gift of your property in contemplation of the execution of this Agreement.

## **7. PROMISES.**

**7.1 Our Promises.** It is and shall be our declared policy to operate as a nonprofit organization. We will not cancel this Agreement without just cause as specified in Section 9. Further, we shall not cancel this Agreement solely by reason of your financial inability to pay the full Monthly Fee or the per diem charge for care in the Community Health Center. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. You shall be permitted to remain at the Community for a reduced fee based on

your ability to pay for as long as you establish facts to justify deferment of such charges and when deferment of such charges can, in our sole discretion, be granted without impairing our ability to operate the Community on a sound financial basis for the benefit of the residents.

**7.2 Your Promises.** You agree to comply with all policies and procedures of the Community as now existing or as hereafter amended; to pay the Entrance Fee, Monthly Fee, and any other charges as provided in this Agreement; to not impair your ability to meet the financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance, without our consent, and to abide by all other terms of this Agreement.

## **8. CANCELLATION BY RESIDENT.**

**8.1 Right of Rescission.** Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. Repayment of the amount of the Entrance Fee paid shall be as outlined in Section 10.2.

**8.2 Cancellation Prior to Occupancy.** You may cancel this Agreement for any reason at any time before you move into the Community by giving us written notice signed by you (both of you in the case of Joint Residents). Repayment of the amount of the Entrance Fee paid shall be as outlined in Section 10.3 or 10.4. If you die prior to occupying the Residence or if, on account of illness, injury or incapacity, you are precluded



from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel. Repayment of the Entrance Fee shall be as outlined in Section 10.3.

**8.3 Cancellation After Occupancy.** You may cancel this Agreement for any reason after moving into the Community by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must vacate the Residence within the thirty (30) days. You are obligated to pay the Monthly Fee during the thirty (30) days. Repayment of the Entrance Fee shall be as outlined in Section 10.5.

**8.4 Cancellation Due to Death After Occupancy.** This Agreement will automatically cancel upon your death (the death of the surviving Resident in the case of Joint Residents). After such automatic cancellation, your personal representative will have thirty (30) days from the date of your death to remove your personal property from the Residence. Repayment of the Entrance Fee shall be as outlined in Section 10.5.

## **9. CANCELLATION BY US.**

**9.1 Cancellation Upon Notice.** We may, upon notice and opportunity to cure as hereinafter provided, cancel this Agreement for just cause. Just cause shall include the occurrence of any of the following events (hereinafter referred to as a "Default"):

**9.1.1 Noncompliance.** You do not comply with the terms of this Agreement or the published operating procedures, covenants, rules, regulations, and policies now existing or later amended by us.

### **9.1.2 Misrepresentation.**

You misrepresent yourself or fail to disclose information during the residency process.

### **9.1.3 Nonpayment.**

You fail to pay any charges to us, subject to the provisions of Section 7.1, within sixty (60) days of the date when such charges are due.

### **9.1.4 Threat to Health or Safety.**

Your health status or behavior constitutes a substantial threat to the health or safety of yourself, other residents, or others including your refusal to consent to relocation or behavior that would result in physical damage to the property of others.

### **9.1.5 Change in Condition.**

There is a major change in your physical or mental condition and your condition cannot be cared for in the Community Health Center within the limits of our license.

**9.2 Default Notice.** Prior to cancellation for any Default described in Section 9.1.1, 9.1.2 or 9.1.3 above, we shall give you notice in writing of such Default, and you shall have at least thirty (30) days thereafter within which to correct such Default. No Default shall eliminate your obligation to pay the Monthly Fee until cancellation. If you correct such Default within such time, this Agreement shall not be canceled. If you fail to correct such Default within such time, this Agreement shall cancel at the expiration of such thirty (30) days.

In the event of the occurrence of a Default described in Section 9.1.4 or 9.1.5 above, if we or the Medical Director determines that either the giving of notice of Default or the lapse of time as above provided might be detrimental to you or others, then such notice and/or waiting period prior to cancellation shall not be required. Also, in the

event of the occurrence of a Default described in Section 9.1.4 or 9.1.5, we are expressly authorized by you to transfer you to an appropriate hospital or other facility, and we will promptly notify your personal representative or attending physician.

## **10. REPAYMENT OF ENTRANCE FEE.**

**10.1 Nonacceptance by Us.** If we do not accept you for residency at the Community, the full amount of the Entrance Fee you have paid will be promptly repaid to you, with interest.

**10.2 Right of Rescission.** If you rescind this Agreement as provided in Section 8.1, you shall receive a repayment of the portion of the Entrance Fee paid by you, less (i) a service charge equal to the greater of one-thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee, and (ii) less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Such repayment shall be paid within sixty (60) days of our receipt of the written notice of rescission.

**10.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, Incapacity, or Change in Financial Condition.** If, prior to occupancy, you die or you cancel this Agreement because of illness, injury, incapacity, or change in your financial condition, you or your estate will receive a repayment of the portion of the Entrance Fee paid by you, less (i) a service charge equal to the greater of one-thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee, and (ii) less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Such

repayment shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

**10.4 Cancellation Prior to Occupancy for Other Reasons.** If you cancel this Agreement for reasons other than those stated in Section 10.3 above, you shall receive a repayment of the portion of the Entrance Fee paid by you, less (i) a service charge equal to the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee, and (ii) less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Such repayment shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

**10.5 Cancellation After Occupancy.** In the event you or we cancel this Agreement after occupancy or in the event of your death (the death of the survivor in the case of Joint Residents), you or your estate will be reimbursed ninety-six percent (96%) of the total Entrance Fee paid upon residency, less an amount equal to two percent (2%) for each month of residency for up to three (3) months. Subject to our offset rights outlined in Section 10.6, the repayment of the Entrance Fee will not be less than ninety percent (90%). Such repayment will be paid, without interest, within sixty (60) days after your Residence has been reserved by a new resident and our receipt of the full amount of the Entrance Fee paid by such new resident. In the event your Residence is not reserved by a new resident, such repayment will be paid, without interest, within twenty-four (24) months from the date cancellation of your Residency Agreement becomes effective.

**10.6 Offset Against Entrance Fee Repayment.** In the event of cancellation of this Agreement after occupancy as described

in Section 10.5 above, we will offset against any Entrance Fee repayment due to you the following:

**10.6.1** The amount of any Monthly Fees or other charges deferred by us on your behalf under Section 7.1; and

**10.6.2** Any health care expenses incurred on your behalf and other amounts payable to us, which remain unreimbursed; and

**10.6.3** Any charges incurred to restore the Residence to good condition, normal wear and tear excepted, as outlined in Section 4.11; and

**10.6.4** Any charges incurred as a result of non-standard features added to the Residence at your request as outlined in Exhibit A or in a separate addendum to this Agreement.

## **11. MISCELLANEOUS.**

**11.1 Nature of Rights.** You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 10; (ii) this Agreement and your contractual right to occupy the Community will exist and continue to exist during your lifetime unless canceled as provided herein; (iii) this Agreement grants you a revocable right to occupy and use space in the Community but does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as

provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement grants to us complete decision-making authority regarding the management and operation of the Community.

**11.2 Release.** We are not responsible for loss of or damage to your personal property, unless such loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from any such liability. You may want to obtain at your own expense insurance to protect against such losses.

**11.3 Amendment.** This Agreement may be amended by agreement of the parties to this Agreement. No amendment of this Agreement shall be valid unless in writing and signed by you and us.

**11.4 Law Changes.** This Agreement may be modified by us at any time in order to comply with applicable laws or regulations. Further, we may change any part of the Community, including the Residence, to meet the requirements of any applicable law or regulation.

**11.5 Entire Agreement.** This Agreement and any addenda or amendments thereto contain our entire understanding with respect to your residency at the Community.

**11.6 Monthly Statement.** You shall receive a monthly statement from us showing the total amount of fees and other charges owed by you, which shall be paid by the tenth (10<sup>th</sup>) day of each month.

**11.7 Responsible Party for Business and Financial Decision Making.** Within sixty (60) days after assuming residency at the

Community, you agree to execute and deliver to us a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Community.

**11.8 Disposition of Furniture, Possessions, and Property.** Within sixty (60) days after the date of residency, you agree to make provision by will or otherwise for the disposition of all of your furniture, property, and possessions located on the premises of the Community.

**11.9 Nonwaiver.** If we fail to insist in any instance upon performance of any of the terms, promises, or conditions of this Agreement, it shall not be construed as a waiver or relinquishment of the future performance of any such terms, promises, or conditions, but your obligation with respect to such future performances shall continue in full force and effect.

**11.10 Notices.** Any notice required to be given to us under this Agreement shall be in writing and sent certified mail or hand-delivered to the Executive Director of the Community at 700 South Holden Road; Greensboro, North Carolina 27407. Such notices shall be dated and signed.

Any notice required to be given to you shall be delivered to you at the Community or at such other place as you shall designate to us in writing. All notices mailed in accordance

with this Section shall be deemed to be given when mailed whether or not they are actually received.

**11.11 Indemnity.** We will not be liable for and you agree to indemnify, defend and hold us harmless from claims, damages and expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your negligent or intentional act or omission or that of your guests.

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

**11.13 Subordination.** You agree that all your rights under this Agreement will always be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Community, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender or lenders such further written evidence of such subordination as such lenders may reasonably require. Except to the extent of your obligation to pay the Monthly Fee and Second Person Monthly Fee, you shall not be liable for any such indebtedness.

**11.14 Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. This Agreement will become effective upon acceptance and signature by us.

**11.15 Resident.** In the case of Joint Residents, the rights and obligations of each are joint and several except as the context of this Agreement otherwise requires.

**11.16 Reimbursement for Loss or Damage.** You or your responsible party, if applicable, agree to reimburse us for any loss or damage to the Community caused by your intentional, careless, or negligent acts or omissions or that of your guests.

**11.17 Reimbursement of Charges.** You agree to reimburse us for any charges we incur to collect any unpaid amounts you owe to us under this Agreement.

**11.18 Transfers.** We may sell or transfer our interest in the Community provided the buyer will agree to assume this Agreement and all other existing Residency Agreements. Upon the assumption of this Agreement by a buyer of the Community and its agreement to perform this Agreement and all other agreements, we will have no further obligation hereunder. Your signature hereto constitutes your consent and approval of any such future transaction.

**11.19 Private Employee of Resident.** If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency (personal service provider). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home health agency. In any event, you must comply with our policy regarding personal service providers, and ensure that your private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct set forth in our policy. If you fail to follow or enforce the policies and

rules set forth therein, then we may elect, at our sole option, to cancel this Agreement.

**11.20 Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement.

**11.21 Management.** We have engaged the services of Life Care Services LLC to manage the Community. We are not affiliated with Life Care Services nor is Life Care Services responsible for our contractual or financial obligations or the contractual or financial obligations of the Community.

**11.22 Governing Law.** This Agreement will be governed, interpreted and construed according to the laws of the State of North Carolina.

**11.23 Survival of Representations and Obligations.** Your representations and obligations under this Agreement, including but not limited to, your obligation to pay all sums owed by you to us, and your agreement to indemnify us as set forth in Section 11.11, and our representations and obligations under this Agreement, will survive any cancellation of your residency in the Community, regardless of the reason for such cancellation and regardless of whether it is initiated by you or by us.

**11.24 Acknowledgment of Receipt of Documents.** You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement.

## **12. ARBITRATION.**

**12.1 Voluntary Arbitration of Negligent Health Care Claims.** For all claims for damages for personal injury or wrongful death based on alleged negligence in

the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C.G.S. §90-21.60(b) prohibits any contract from requiring prior agreement of the parties to arbitrate alleged negligent health care claims. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

**12.2 Arbitration for Other Claims.** You agree that any dispute, claim or controversy of any kind (except for those disputes, claims or controversies arising under Paragraph 12.1 above) between the parties arising out of, in connection with, or relating to this Agreement and any amendment hereof, or the breach hereof, which cannot be resolved by mutual agreement or in small claims court, will be submitted to and determined by arbitration in Guilford County, North Carolina in accordance with the Federal Arbitration Act and the then-current commercial arbitration rules of the Federal Arbitration Act. You and we will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in State law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all residents of the Community, provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue affects more than one resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

**12.3 Withdrawal of Agreement to Arbitrate.** You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us.

**12.4 Binding Effect of Arbitration.** This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
**RESIDENT**

\_\_\_\_\_  
Witness

\_\_\_\_\_  
**RESIDENT**

\_\_\_\_\_  
Witness

Approved this \_\_\_\_ day of \_\_\_\_\_,  
20\_\_\_\_.

**THE MASONIC AND EASTERN STAR  
HOME OF NORTH CAROLINA, INC.  
d/b/a WhiteStone: A Masonic & Eastern  
Star Community**

---

Printed Name of Authorized Representative

---

Signature of Authorized Representative

Attachment: Exhibit A



05/27/2015

J:\Complnc\WhiteStone\Agreements URM\Residency  
Agreements URM\90% Return of Capital Residency  
Agreement (2015-05-27).doc

**Exhibit A**

| <b>Non-Standard Features Added at Resident's Request:</b> | <b>Amount</b> |
|---|---------------|
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
| <b>Total of Non-Standard Features</b>                     | \$            |

**Initials** \_\_\_\_\_  
**Community**

\_\_\_\_\_  
**Resident(s)**



# **EXHIBIT 8**

## **Traditional Residency Agreement**



**700 South Holden Road  
Greensboro, North Carolina 27407  
(336) 299-0031**

## **Traditional Residency Agreement**

05/27/2015

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Exhibit A – Non-Standard Features Added at Resident's Request

**WHITESTONE: A MASONIC & EASTERN STAR COMMUNITY  
TRADITIONAL  
RESIDENCY AGREEMENT**

**RECITALS:**

**A. Provider.** The Masonic and Eastern Star Home of North Carolina, Inc., a non-profit corporation (hereafter "we" or "us" or "our"), is the provider of a continuing care retirement community known as WhiteStone: A Masonic & Eastern Star Community (the "Community") located in Greensboro, North Carolina.

**B. Resident.** \_\_\_\_\_ ("Resident" or "you" or "your", or when two people ("Joint Residents") are named in this Agreement, each of them and the survivor of them, except as otherwise indicated) wishes to live at the Community and to enjoy, consistent with the rights, welfare and contentment of the other residents, the facilities and services provided by the Community.

**C. Requirements for Residency.** Except as waived by us after full disclosure, we require that Resident be at least sixty (60) years of age or applying for the same Residence with a Joint Resident who is sixty (60) or older, be capable of meeting the requirements of occupancy with or without reasonable accommodation and/or reasonable modification, and have sufficient assets and income, all as are specified in our Residency Policy.

**NOW, THEREFORE,** this Agreement is made and entered into between us and Resident as a commitment by Resident and us to the terms and conditions hereinafter set forth.

**1. THE RESIDENCE.** We agree to make available to you, for as long as you live and subject to the terms of this Agreement, a room, studio, apartment or cottage at the Community described as follows: \_\_\_\_\_, \_\_\_\_\_ no. \_\_\_\_\_ (hereafter "Residence"), and to provide, for your lifetime, the services and amenities described in Section 3.1 below. You may select certain options and custom features in the Residence at an extra charge, which shall not be subject to any repayment provision herein. Any such options and custom features selected and paid for by you will become our property. Such options and custom features must be approved by the Executive Director of the Community prior to adding them to the Residence. The Executive Director of the Community has consented to your request to add the non-standard features set forth on Exhibit A to the Residence, and you agree to pay the amount(s) set forth on Exhibit A to cover the additional charges for these features.

**2. CHARGES FOR RESIDENCE AND PRIMARY SERVICES.**

**2.1 Application Fee.** Prior to or upon execution of this Agreement, you will pay to us an Application Fee of \$\_\_\_\_\_. The Application Fee will be used by us to process your application for residency and is non-refundable.

**2.2 Entrance Fee.** In order to reside at the Community for life, subject to this Agreement, and to receive the services described below, you agree to pay to us (in

addition to the Monthly Fee described below) an Entrance Fee in the amount of \$\_\_\_\_\_. The total amount of the Entrance Fee shall be payable as follows:

**2.2.1** Ten percent (10%) of the total Entrance Fee or \$\_\_\_\_\_ is due and payable upon your execution of this Agreement.

**2.2.2** The balance of \$\_\_\_\_\_ of the Entrance Fee shall be paid on the date of occupancy at the Community but in no event later than ninety (90) days after your execution of this Agreement.

**2.3 Monthly Fee.** You are obligated to begin paying a Monthly Fee (or a pro rata portion thereof) on the date you assume occupancy at the Community or within ninety (90) days from the date this Agreement is executed by you, whichever is earlier. Thereafter, the Monthly Fee shall be paid by the tenth (10<sup>th</sup>) day of each month during the term of this Agreement. The Monthly Fee is initially set at a specific amount that can be increased as described in Section 2.6 below. A "Second Person Monthly Fee" shall become part of the Monthly Fee and shall be paid if two persons are Joint Residents under this Agreement. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component.

**2.4 Initial Monthly Fee.** The initial Monthly Fee payable by you is \$\_\_\_\_\_ per month and an additional \$\_\_\_\_\_ per month as a Second Person Monthly Fee component of the

Monthly Fee if two persons reside as Joint Residents pursuant to this Agreement.

**2.5 Continuance of Monthly Fee.** The Monthly Fee will continue until (i) your death (in the case of Joint Residents, the death of the surviving Resident), or (ii) surrender of your Residence due to your permanent assignment to Health Center Level Services (as defined in Section 5.1), or (iii) the cancellation of this Agreement as outlined in Sections 8 and 9. If this Agreement is canceled on a date other than the last day of the month, the amount of the Monthly Fee shall be prorated to the date of cancellation. If you have paid more than the prorated Monthly Fee, we will repay the excess amount to you within thirty (30) days after the date of cancellation.

**2.6 Increase in Monthly Fee.** The Monthly Fee is paid to us to provide the services and amenities described in this Agreement, and is intended to meet the expenses associated with the operation of the Community. We may increase the Monthly Fee (which includes the Second Person Monthly Fee where applicable) upon thirty (30) days' written notice if we, in our sole discretion, deem it necessary to meet the financial needs of the Community or to provide services to the Residents.

**2.7 Reduction in Monthly Fee Due to Absence.** If you are absent from the Community for more than seven (7) consecutive days, you will be eligible for a Monthly Fee credit equivalent to the costs of meals paid for and not consumed. You are required to notify us in advance of your absence in order to qualify for the Monthly Fee credit.

**2.8 Reserve Funds.** The amount of the Monthly Fee is and will continue to be

affected by our policy of maintaining reserve funds for the financial security of the Community.

**2.9 Late Payment Charge.** We may charge a one percent (1%) late payment charge per month on any Monthly Fees or extra charges that have not been paid within thirty (30) days of receipt of a monthly statement from us.

### **3. DESCRIPTION OF PRIMARY AND SUPPLEMENTAL SERVICES.**

**3.1 Services Provided for the Monthly Fee.** We will provide you, in consideration for the Monthly Fee referred to above, the following services and amenities at the Community:

- As of the date you executed this Agreement the monthly Dining Allocation is \$\_\_\_\_\_ per month. Each Resident will receive the monthly Dining Allocation as part of the Monthly Fee and Second Person Monthly Fee, to be applied toward dining charges in the main dining room, other designated dining areas, or for other food and beverage services. This Dining Allocation may be expended by you, or with your permission, your guests. Each month, you will be charged for any dining charges in excess of your Dining Allocation. Any unused Dining Allocation at the end of a month can be carried over up to thirty (30) days, but will expire after such thirty (30) days. Your monthly Dining Allocation will be adjusted annually to reflect changes in food service expenses;
- Water, sewer, air conditioning, heating, electricity, trash removal, and municipal services. The Resident is responsible for the charges related to telephone, and cable or satellite television reception;

- Access to one unassigned parking stall (other spaces, if available, may be provided for an additional fee);
- Building and grounds maintenance;
- Weekly housekeeping service;
- Availability of laundry facilities so that you may wash and dry personal laundry;
- Planned activities -- social, educational, cultural, recreational, and spiritual -- for those who wish to participate;
- Services of an activities director;
- Use of the Community's common areas and amenities during scheduled hours -- central dining room, chapel, library, mail boxes, lounges, arts and crafts room, exercise areas, community garden, dog park, fellowship hall, and woodworking shop;
- Carpeting (except in the kitchen and bath where there is other floor covering);
- A kitchen, including refrigerator with icemaker, range/oven, garbage disposal, dishwasher, and microwave;
- Local transportation scheduled by us;
- Twenty-four (24) hour emergency call monitoring in your Residence by nursing staff;
- Guest parking areas;
- Fire detection system;
- Security for buildings and grounds;
- Health Center Level Services, for thirty (30) free annual days of care (see Section 5 for additional details).

**3.2 Supplemental Services Provided for an Extra Charge.** Supplemental services, when available, will be provided at extra charge and are described below:

- Additional meals in the dining room over those provided in consideration for the Monthly Fee;
- Guest accommodations, if available;
- Certain other supplies and services such as medicine, drugs, prescribed therapy,



Health Center Medical Director, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment;

- Other optional services related or unrelated to care in the Health Center as approved by us;
- Personal laundry service;
- Guest meals;
- Additional housekeeping services;
- Special events transportation;
- Extended dietician services when ordered by your attending physician or dietician services not ordered by your attending physician;
- Tray service to your Residence when ordered by your attending physician, the Health Center Medical Director, the Health Center director of nursing, assistance-in-living director or resident services director;
- Health Center Level Services beyond the thirty (30) free annual days of care.

#### **4. TERMS OF RESIDENCY.**

**4.1 Use of the Residence.** The Residence is for living only and will not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions. This Agreement is not a lease, and grants you only a lifetime use of the Residence and other facilities of the Community and to available services, subject to the terms and conditions of this Agreement.

**4.2 Duration of Your Right to Occupy the Residence.** You may reside in your Residence for as long as you (or either of you in the case of Joint Residents) live unless you (both of you in the case of Joint Residents) are not capable of occupancy as set forth in our Residency Policy, or this Agreement is canceled by you or by us. A copy of our current Residency Policy, outlining the

age, health and financial requirements for residency, is available for review in the Community Marketing Office. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that assisted living, skilled nursing care, or specialized care for dementia or related disorders be given, you will be requested to relocate to the Community Health Center where we are licensed to provide such care.

#### **4.3 Occupants of the Residence.**

Except as hereinafter provided, no person other than you (both of you in the case of Joint Residents) may occupy the Residence. In the event that a second person who is not a party to this Agreement is accepted for residency in the Residence at a time subsequent to the date hereof (said acceptance to be in accordance with our current Residency Policy), an Entrance Fee in an amount to be determined by us (which will be no more than one-half of the then-current Entrance Fee for the Residence) shall be paid upon residency, and each month thereafter, the then-current Second Person Monthly Fee shall be paid as part of the Monthly Fee. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than thirty (30) days, except with our express written approval.

If the Resident marries a person who is also a resident of the Community, and should they decide to occupy one residence as Joint Residents, they must declare which residence will be occupied and which residence will be surrendered. The repayment due for the surrendered residence, if any, will be provided pursuant to the Entrance Fee repayment terms in the residency agreement of the surrendered residence.

**4.4 Guests.** Guests are welcome to stay in your Residence for short stays not to exceed ten (10) consecutive days. Such stay shall not, in the opinion of the Executive Director, adversely affect the operation of the Community or be inconsistent with the welfare of other residents.

**4.5 Release.** We are not responsible for loss of or damage to your personal property, unless such loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from such liability.

**4.6 Insurance.** You are required at your own expense to carry personal property insurance and liability insurance. If requested by us, you agree to provide us with proof of such insurance coverage.

**4.7 Removal and Storage of Resident's Personal Property.** Your personal property must be removed from the Residence within thirty (30) days following any of the following dates: (i) the date of your death (if Joint Residents, the date of death of the surviving Resident), (ii) the date notice of cancellation is delivered by you or us pursuant to Section 8 or 9, or (iii) the date notice is delivered to you of your permanent assignment or transfer to the Community Health Center or a Comparable Facility for Health Center Level Services (see definitions in Sections 5.1 and 5.2). If your personal property has not been removed from the Residence within such thirty (30) day period, then we may, in our sole discretion, either charge you an additional Monthly Fee for each month thereafter during which such personal property remains in the Residence or remove and store such personal property at the expense and risk of you or your estate. In the event of your death, while you are a resident of the Community under this Agreement, only the executor(s) named in

your Will will be allowed to remove or dispose of your furnishings and belongings in your living accommodation and any related storage areas at the Community. Members of your family or those to whom you have granted Power of Attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

**4.8 Furnishings.** Furnishings within the Residence provided by you shall not be such as to interfere with the health, safety or general welfare of you, other residents, or others.

**4.9 Emergency Entry and Relocation.** We may enter your Residence should it be necessary in an emergency to protect your health and safety or the health and safety of other residents. If relocation is recommended by the Medical Director or your attending physician, we will request that you relocate to another residence within the Community, or to the Community Health Center or a Comparable Facility (as defined in Section 5.2) for the protection of your health or safety or for the health or safety of the other residents of the Community.

**4.10 Alterations by You.** You may not undertake any alterations to your Residence without our prior written approval, as set forth in a separate addendum to this Agreement.

**4.11 Condition of Residence.** Upon vacating the Residence, you agree to leave it in good condition, except for normal wear and tear. You shall be liable to us for any charges incurred to restore your Residence to good condition, normal wear and tear excepted.

**4.12 Rights of Second Single Resident.** When two Joint Residents reside in a single Residence under this Agreement, upon the death or permanent assignment of one Resident to the Community Health Center Level Services, or other inability to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the terms of this Agreement and shall pay the Monthly Fee.

## **5. THE COMMUNITY HEALTH CENTER.**

**5.1 Description.** The Community Health Center is the portion of the Community which is licensed to provide assisted living, skilled nursing care, and specialized care for dementia or related disorders (collectively "Health Center Level Services"). The Community Health Center is staffed by licensed nursing personnel 24 hours a day.

**5.2 Alternate Accommodations.** You will be given priority over non-residents for admission to the Community Health Center. In the event the Community Health Center is fully occupied when you are determined appropriate for admission, you agree to relocate to an alternate health care facility that provides services similar to the Community Health Center (a "Comparable Facility"). Upon your relocation to a Comparable Facility, you shall continue to be responsible for the Monthly Fee (unless your Residence is surrendered). We will not be responsible for the charges associated with the Comparable Facility.

**5.3 Thirty (30) Annual Days of Nursing Care in the Community Health Center.** You are eligible to receive thirty (30) annual days of nursing care (non-cumulative) in the Community Health Center (while you are a resident of your Residence), without

paying the Health Center per diem charge. In the case of Joint Residents, each of you will receive thirty (30) annual days, but the days cannot be combined and used by only one of you, and unused days cannot be carried over to subsequent years. You are required to pay any charges for physician services and any additional health services as outlined in Section 5.10. Once you are permanently assigned to the Health Center, you no longer qualify for the thirty (30) annual days.

**5.4 Transfer to Health Center Level Services.** In the event your physical or mental health is determined by us to be appropriate for Health Center Level Services, you agree to relocate to the Community Health Center or a Comparable Facility. Such a determination will be made by us after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

**5.5 Temporary Assignment to the Community Health Center.** In the event you require temporary care in the Community Health Center beyond the thirty (30) annual days of care as outlined in Section 5.4, you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Section 5.10. In addition, you will continue to pay the Monthly Fee for your Residence.

**5.6 Permanent Assignment to Health Center Level Services.** In the event you require permanent care in the Community Health Center beyond the thirty (30) annual days of care as outlined in Section 5.4, you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any

additional health services as outlined in Section 5.10. If you are determined appropriate for Health Center Level Services, and are admitted or relocated to the Community Health Center or a Comparable Facility, you will be required to surrender the Residence to us. We shall have the right to reassign the Residence for occupancy by others except as provided in Section 4.12. Release of the Residence due to your permanent assignment to the Community Health Center or to a Comparable Facility does not qualify you for reimbursement of the Entrance Fee, unless this Agreement is canceled.

Once the Residence is surrendered, you will no longer be obligated to pay the Monthly Fee for the Residence.

**5.7 Relocation within the Community Health Center.** We reserve the right to relocate you to a different level of care within the Community Health Center if you require such care. Such relocation will be made after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

**5.8 Return to Residence.** If we subsequently determine, in consultation with your attending physician, your personal representative and you to the extent possible, that you can resume occupancy in a residence equivalent to the residence you previously occupied, you shall have the right to relocate to such equivalent residence as soon as one is available. Upon reoccupying a residence, your Monthly Fee will be based on the then-current Monthly Fee for the residence.

**5.9 Medical Director, Attending Physician, and Additional Health Services.** We have designated a licensed physician to

serve as Medical Director of the Community Health Center. You are required to have a local attending physician. You may engage the services of the Medical Director at your expense. We will not be responsible for the charges for medical treatment or services by the Medical Director or your attending physician, nor will we be responsible for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

**5.10 Advanced Charges for Medical Treatment.** In the event we incur or advance payment for your medical treatment or for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment (even in the event such medical care is given at the direction of your attending physician or the Medical Director without your prior approval), you shall promptly reimburse us for such payments. Upon cancellation of this Agreement for any reason, any amounts due to us under this Section 5.11 shall be offset against any repayment of the Entrance Fee.

**5.11 Medicare and Health Insurance.** When age eligible, you are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility. You shall furnish to us such evidence of coverage as we may from time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, or

should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in the Community Health Center or a Comparable Facility. If you are eligible to receive the thirty (30) annual days of care in the Community Health Center as provided in Section 5.4 and your stay in the Community Health Center is a Medicare-qualified stay, such thirty (30) annual days will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B and acceptable supplemental health insurance or equivalent insurance coverage.

If you are not eligible for Medicare, you shall maintain health insurance coverage acceptable to us and shall furnish us with evidence of such coverage upon our request. Should your health insurance not fully cover your stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each admission and stay in the Community Health Center or a Comparable Facility.

If failure to maintain Medicare Part A, Medicare Part B, supplemental health insurance or other health insurance coverage causes depletion of your resources and impairs your ability to meet your financial obligations, we need not defer your financial obligations to us as outlined in Section 7.1, and we retain the right to revoke your right to reside at the Community and cancel the Residency Agreement as provided in Section 9.

**5.12 Managed Care.** If you have chosen to participate in a managed care pro-

gram as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:

**5.12.1 Participating Provider.** If the Community Health Center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, the Community agrees to be reimbursed at the rate negotiated with your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care you are eligible to receive without extra charge pursuant to Section 5.4.

**5.12.2 Not a Participating Provider.** If the Community Health Center is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all charges for health care services. In addition, while receiving health care services at the managed care participating provider, you agree that unless this Agreement is canceled, you will continue to pay the Monthly Fee for your Residence, unless your Residence has been surrendered to us. Such a stay at a managed care participating provider other than the Community Health Center will not reduce the number of days of care that you are eligible to receive without extra charge pursuant to Section 5.4.

**5.12.3 Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we will use our best effort to negotiate a reimbursement rate with

your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care that you are eligible to receive without extra charge pursuant to Section 5.4.

**5.12.4 No Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive health care in the Community Health Center during a Medicare-qualified stay, then each day of your stay in the Community Health Center will reduce by one day the number of days of care you are eligible to receive without extra charge pursuant to Section 5.4. During any such Medicare-qualified stay in the Community Health Center, you agree that you will continue to pay the Monthly Fee, unless your Residence has been surrendered to us, the charges for medication, prescribed therapy, medical treatment by physicians, and other medical and miscellaneous supplies and services associated with medical treatment. If at any time during any such Medicare-qualified stay in the Community Health Center you are no longer eligible to receive any of the days of care provided for in Section 5.4, then you agree to pay the per diem rate for your care in the Community Health Center, the charges for medication, prescribed therapy, medical treatment by physicians, and other medical and miscellaneous supplies and services associated with medical treatment, and the Monthly Fee for your Residence, unless your Residence has been surrendered to us.

**5.12.5 Post Medicare-Qualified Stay.** At the conclusion of each such Medicare-qualified stay, you will be

entitled to health care in the Community Health Center in accordance with the terms of this Agreement other than as provided in this Section 5.13, as adjusted to reflect any reduction during such stay in the number of days of care that you are eligible to receive without extra charge as provided in Section 5.4.

**5.13 Transfer to Hospital or Other Care Facility.** If we determine after consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond that which the Community Health Center is licensed to provide, you will be transferred to a hospital or other care facility. We shall not be responsible for any charges associated with the transfer and health care expenses or charges incurred by you after such a transfer. You shall continue to pay the Monthly Fee until your Residence is surrendered.

**5.14 Community Health Center Admission Agreement.** If you require care in the Community Health Center, you agree to enter into a separate Community Health Center Admission Agreement to be signed by you and us.

**5.15 Under Age 60.** If you are under the age of 60 when you occupy your Residence under this Agreement, you are not eligible to receive thirty (30) annual days of nursing care in the Community Health Center as described in Section 5.4 until you attain the age of 60. During this time, you will be entitled to Health Center Level Services at the then-current rate being charged to non-residents until age 60.

## **6. REPRESENTATIONS.**

**6.1 Our Representations.** We represent and warrant that we are a nonprofit corporation and that we do not propose to

operate at a profit. We are exempt from payment of Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. We are affiliated with The Grand Lodge of North Carolina and The Grand Chapter, Order of the Eastern Star in North Carolina. The Grand Lodge of North Carolina and The Grand Chapter, Order of the Eastern Star in North Carolina are not responsible for our financial or contractual obligations.

**6.2 Your Representations.** You represent and warrant that the representations made in the application for residency, your personal health history, and the confidential financial statement are true and correct and may be relied upon by us as a basis for your acceptance for residency at the Community. You also represent and warrant that you have not made any gift of your property in contemplation of the execution of this Agreement.

## **7. PROMISES.**

**7.1 Our Promises.** It is and shall be our declared policy to operate as a non-profit organization. We will not cancel this Agreement without just cause as specified in Section 9. Further, we shall not cancel this Agreement solely by reason of your financial inability to pay the full Monthly Fee or the per diem charge for care in the Community Health Center. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. You shall be permitted to remain at the Community for a reduced fee based on your ability to pay for as long as you establish facts to justify deferment of such charges and when deferment of such charges can, in our

sole discretion, be granted without impairing our ability to operate the Community on a sound financial basis for the benefit of the residents.

**7.2 Your Promises.** You agree to comply with all policies and procedures of the Community as now existing or as hereafter amended; to pay the Entrance Fee, Monthly Fee, and any other charges as provided in this Agreement; to not impair your ability to meet the financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance, without our consent, and to abide by all other terms of this Agreement.

## **8. CANCELLATION BY RESIDENT.**

**8.1 Right of Rescission.** Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. Repayment of the amount of the Entrance Fee paid shall be as outlined in Section 10.2.

**8.2 Cancellation Prior to Occupancy.** You may cancel this Agreement for any reason at any time before you move into the Community by giving us written notice signed by you (both of you in the case of Joint Residents). Repayment of the amount of the Entrance Fee paid shall be as outlined in Section 10.3 or 10.4. If you die prior to occupying the Residence or if, on account of illness, injury or incapacity, you are precluded from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel. Repayment of the

Entrance Fee shall be as outlined in Section 10.3.

**8.3 Cancellation After Occupancy.** You may cancel this Agreement for any reason after moving into the Community by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must vacate the Residence within the thirty (30) days. You are obligated to pay the Monthly Fee during the thirty (30) days. Repayment of the Entrance Fee shall be as outlined in Section 10.5.

**8.4 Cancellation Due to Death After Occupancy.** This Agreement will automatically cancel upon your death (the death of the surviving Resident in the case of Joint Residents). After such automatic cancellation, your personal representative will have thirty (30) days from the date of your death to remove your personal property from the Residence. Repayment of the Entrance Fee shall be as outlined in Section 10.5.

## **9. CANCELLATION BY US.**

**9.1 Cancellation Upon Notice.** We may, upon notice and opportunity to cure as hereinafter provided, cancel this Agreement for just cause. Just cause shall include the occurrence of any of the following events (hereinafter referred to as a "Default"):

**9.1.1 Noncompliance.** You do not comply with the terms of this Agreement or the published operating procedures, covenants, rules, regulations, and policies now existing or later amended by us.

**9.1.2 Misrepresentation.** You misrepresent yourself or fail to disclose information during the residency process.

**9.1.3 Nonpayment.** You fail to pay any charges to us, subject to the provisions of Section 7.1, within sixty (60) days of the date when such charges are due.

**9.1.4 Threat to Health or Safety.** Your health status or behavior constitutes a substantial threat to the health or safety of yourself, other residents, or others including your refusal to consent to relocation or behavior that would result in physical damage to the property of others.

**9.1.5 Change in Condition.** There is a major change in your physical or mental condition and your condition cannot be cared for in the Community Health Center within the limits of our license.

**9.2 Default Notice.** Prior to cancellation for any Default described in Section 9.1.1, 9.1.2 or 9.1.3 above, we shall give you notice in writing of such Default, and you shall have at least thirty (30) days thereafter within which to correct such Default. No Default shall eliminate your obligation to pay the Monthly Fee until cancellation. If you correct such Default within such time, this Agreement shall not be canceled. If you fail to correct such Default within such time, this Agreement shall cancel at the expiration of such thirty (30) days.

In the event of the occurrence of a Default described in Section 9.1.4 or 9.1.5 above, if we or the Medical Director determines that either the giving of notice of Default or the lapse of time as above provided might be detrimental to you or others, then such notice and/or waiting period prior to cancellation shall not be required. Also, in the event of the occurrence of a Default described in Section 9.1.4 or 9.1.5, we are expressly authorized by you to transfer you to an



appropriate hospital or other facility, and we will promptly notify your personal representative or attending physician.

## **10. REPAYMENT OF ENTRANCE FEE.**

**10.1 Nonacceptance by Us.** If we do not accept you for residency at the Community, the full amount of the Entrance Fee you have paid will be promptly repaid to you, with interest.

**10.2 Right of Rescission.** If you rescind this Agreement as provided in Section 8.1, you shall receive a repayment of the portion of the Entrance Fee paid by you, less (i) a service charge equal to the greater of one-thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee, and (ii) less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Such repayment shall be paid within sixty (60) days of our receipt of the written notice of rescission.

**10.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, Incapacity, or Change in Financial Condition.** If, prior to occupancy, you die or you cancel this Agreement because of illness, injury, incapacity, or change in your financial condition, you or your estate will receive a repayment of the portion of the Entrance Fee paid by you, less (i) a service charge equal to the greater of one-thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee, and (ii) less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Such repayment shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

**10.4 Cancellation Prior to Occupancy for Other Reasons.** If you cancel this Agreement for reasons other than those stated in Section 10.3 above, you shall receive a repayment of the portion of the Entrance Fee paid by you, less (i) a service charge equal to the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee, and (ii) less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Such repayment shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

**10.5 Cancellation After Occupancy.** In the event you or we cancel this Agreement after occupancy or in the event of your death (the death of the survivor in the case of Joint Residents), you or your estate will be reimbursed the amount of the Entrance Fee previously paid by you, less two percent (2%) for each month of residency or portion thereof for up to fifty (50) months. After fifty (50) months of occupancy, no repayment of the Entrance Fee will be made. Such repayment will be paid, without interest, within sixty (60) days after your Residence has been reserved by a new resident and our receipt of the full amount of the Entrance Fee paid by such new resident. In the event your Residence is not reserved by a new resident, such repayment will be paid, without interest, within twenty-four (24) months from the date cancellation of your Residency Agreement becomes effective.

**10.6 Offset Against Entrance Fee Repayment.** In the event of cancellation of this Agreement after occupancy as described in Section 10.5 above, we will offset against any Entrance Fee repayment due to you the following:

**10.6.1** The amount of any Monthly Fees or other charges deferred by us on your behalf under Section 7.1; and

**10.6.2** Any health care expenses incurred on your behalf and other amounts payable to us, which remain unreimbursed; and

**10.6.3** Any charges incurred to restore the Residence to good condition, normal wear and tear excepted, as outlined in Section 4.11; and

**10.6.4** Any charges incurred as a result of non-standard features added to the Residence at your request as outlined in Exhibit A or in a separate addendum to this Agreement.

## **11. MISCELLANEOUS.**

**11.1 Nature of Rights.** You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 10; (ii) this Agreement and your contractual right to occupy the Community will exist and continue to exist during your lifetime unless canceled as provided herein; (iii) this Agreement grants you a revocable right to occupy and use space in the Community but does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement

grants to us complete decision-making authority regarding the management and operation of the Community.

**11.2 Release.** We are not responsible for loss of or damage to your personal property, unless such loss or damage is caused by our negligence or the negligence of our agents or employees, and you hereby release us from any such liability. You may want to obtain at your own expense insurance to protect against such losses.

**11.3 Amendment.** This Agreement may be amended by agreement of the parties to this Agreement. No amendment of this Agreement shall be valid unless in writing and signed by you and us.

**11.4 Law Changes.** This Agreement may be modified by us at any time in order to comply with applicable laws or regulations. Further, we may change any part of the Community, including the Residence, to meet the requirements of any applicable law or regulation.

**11.5 Entire Agreement.** This Agreement and any addenda or amendments thereto contain our entire understanding with respect to your residency at the Community.

**11.6 Monthly Statement.** You shall receive a monthly statement from us showing the total amount of fees and other charges owed by you, which shall be paid by the tenth (10<sup>th</sup>) day of each month.

**11.7 Responsible Party for Business and Financial Decision Making.** Within sixty (60) days after assuming residency at the Community, you agree to execute and deliver to us a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial

decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Community.

**11.8 Disposition of Furniture, Possessions, and Property.** Within sixty (60) days after the date of residency, you agree to make provision by will or otherwise for the disposition of all of your furniture, property, and possessions located on the premises of the Community.

**11.9 Nonwaiver.** If we fail to insist in any instance upon performance of any of the terms, promises, or conditions of this Agreement, it shall not be construed as a waiver or relinquishment of the future performance of any such terms, promises, or conditions, but your obligation with respect to such future performances shall continue in full force and effect.

**11.10 Notices.** Any notice required to be given to us under this Agreement shall be in writing and sent certified mail or hand-delivered to the Executive Director of the Community at 700 South Holden Road; Greensboro, North Carolina 27407. Such notices shall be dated and signed.

Any notice required to be given to you shall be delivered to you at the Community or at such other place as you shall designate to us in writing. All notices mailed in accordance with this Section shall be deemed to be given when mailed whether or not they are actually received.

**11.11 Indemnity.** We will not be liable for and you agree to indemnify, defend and hold us harmless from claims, damages and expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your negligent or intentional act or omission or that of your guests.

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

**11.13 Subordination.** You agree that all your rights under this Agreement will always be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Community, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender or lenders such further written evidence of such subordination as such lenders may reasonably require. Except to the extent of your obligation to pay the Monthly Fee and Second Person Monthly Fee, you shall not be liable for any such indebtedness.

**11.14 Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. This Agreement will become effective upon acceptance and signature by us.

**11.15 Resident.** In the case of Joint Residents, the rights and obligations of each are joint and several except as the context of this Agreement otherwise requires.

**11.16 Reimbursement for Loss or Damage.** You or your responsible party, if applicable, agree to reimburse us for any loss or damage to the Community caused by your intentional, careless, or negligent acts or omissions or that of your guests.

**11.17 Reimbursement of Charges.** You agree to reimburse us for any charges we incur to collect any unpaid amounts you owe to us under this Agreement.

**11.18 Transfers.** We may sell or transfer our interest in the Community provided the buyer will agree to assume this Agreement and all other existing Residency Agreements. Upon the assumption of this Agreement by a buyer of the Community and its agreement to perform this Agreement and all other agreements, we will have no further obligation hereunder. Your signature hereto constitutes your consent and approval of any such future transaction.

**11.19 Private Employee of Resident.** If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency (personal service provider). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home health agency. In any event, you must comply with our policy regarding personal service providers, and ensure that your private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct set forth in our policy. If you fail to follow or enforce the policies and rules set forth therein, then we may elect, at our sole option, to cancel this Agreement.

**11.20 Tax Considerations.** You should consult with your tax advisor regarding

the tax considerations associated with this Agreement.

**11.21 Management.** We have engaged the services of Life Care Services LLC to manage the Community. We are not affiliated with Life Care Services nor is Life Care Services responsible for our contractual or financial obligations or the contractual or financial obligations of the Community.

**11.22 Governing Law.** This Agreement will be governed, interpreted and construed according to the laws of the State of North Carolina.

**11.23 Survival of Representations and Obligations.** Your representations and obligations under this Agreement, including but not limited to, your obligation to pay all sums owed by you to us, and your agreement to indemnify us as set forth in Section 11.11, and our representations and obligations under this Agreement, will survive any cancellation of your residency in the Community, regardless of the reason for such cancellation and regardless of whether it is initiated by you or by us.

**11.24 Acknowledgment of Receipt of Documents.** You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement.

## **12. ARBITRATION.**

**12.1 Voluntary Arbitration of Negligent Health Care Claims.** For all claims for damages for personal injury or wrongful death based on alleged negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C.G.S. §90-21.60(b) prohibits any

contract from requiring prior agreement of the parties to arbitrate alleged negligent health care claims. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

**12.2 Arbitration for Other Claims.** You agree that any dispute, claim or controversy of any kind (except for those disputes, claims or controversies arising under Paragraph 12.1 above) between the parties arising out of, in connection with, or relating to this Agreement and any amendment hereof, or the breach hereof, which cannot be resolved by mutual agreement or in small claims court, will be submitted to and determined by arbitration in Guilford County, North Carolina in accordance with the Federal Arbitration Act and the then-current commercial arbitration rules of the Federal Arbitration Act. You and we will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in State law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all residents of the Community, provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue affects more than one resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

**12.3 Withdrawal of Agreement to Arbitrate.** You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us.

**12.4 Binding Effect of Arbitration.** This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
**RESIDENT**

\_\_\_\_\_  
Witness

\_\_\_\_\_  
**RESIDENT**

\_\_\_\_\_  
Witness

Approved this \_\_\_\_ day of \_\_\_\_\_,  
20\_\_\_\_.

**THE MASONIC AND EASTERN STAR  
HOME OF NORTH CAROLINA, INC.  
d/b/a WhiteStone: A Masonic & Eastern  
Star Community**

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Printed Name of Authorized Representative

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Signature of Authorized Representative

Attachment: Exhibit A



05/27/2015

J:\Complnc\WhiteStone\Agreements URM\Residency  
Agreements URM\Traditional Residency Agreement  
(2015-05-27).doc

**Exhibit A**

| <b>Non-Standard Features Added at Resident's Request:</b> | <b>Amount</b> |
|---|---------------|
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
| <b>Total of Non-Standard Features</b>                     | \$            |

**Initials** \_\_\_\_\_  
**Community**

\_\_\_\_\_  
**Resident(s)**