

# **Disclosure Statement**

**February 28, 2022**

## **Glenaire, Inc.**

**An Affiliate of The Presbyterian Homes, Inc.**

**4000 Glenaire Circle  
Cary, North Carolina 27511-3802  
(919) 460-8095**

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

- **This Disclosure Statement may be delivered until revised, but not after July 27, 2023;**
- **Delivery of the Disclosure Statement to a contracting party before execution of a contract for continuing care is required;**
- **This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.**

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

### **A. Narrative Description of the Organization and its Operation**

Glenaire, Inc. is a church-related non-stock, non-profit corporation chartered on May 15, 1991 for the purpose of owning and operating a continuing care retirement community (CCRC) in the Town of Cary in Wake County, North Carolina. Glenaire, Inc. operates as a controlled affiliate of The Presbyterian Homes, Inc., located at 2109 Sandy Ridge Road, Colfax, NC 27235.

The corporation traces its origin to 1981 when a group of Presbyterians within the First Presbyterian Church of Raleigh saw the need to provide a CCRC in the Wake County area to serve older adults. The group sought the experience and expertise of The Presbyterian Homes, Inc. which had been charged by the Synod of the Mid-Atlantic to expand its ministry and in 1984 the local group was formally organized as an operating division of The Presbyterian Homes, Inc. with its own duly constituted Board of Trustees.

### **B. Non-Profit/For Profit Status**

As a controlled affiliate of The Presbyterian Homes, Inc., Glenaire, Inc. is exempt from taxes under Internal Revenue Code Section 501(c)(3).

### **C. Affiliation**

Glenaire, Inc. is affiliated with The Presbyterian Homes, Inc., the parent corporation and agency for managerial services. The Board of Governors of The Presbyterian Homes, Inc. appoints all members of the Board of Trustees of Glenaire. Changes in the charter and bylaws of Glenaire also must be approved by the Parent.

The Presbyterian Homes, Inc. is associated with the Synod of the Mid-Atlantic of the Presbyterian Church (U.S.A.) (the "Synod") by a covenant relationship. The covenant relationship provides that the Synod on behalf of the church offers its encouragement in The Presbyterian Homes, Inc.'s ministry. The Presbyterian Homes, Inc. affirms its purpose and commitment to its mission of services to older adults on behalf of the church.

### **D. Accreditation**

Glenaire is accredited by the Commission on Accreditation of Rehabilitation Facilities (CARF), which accredits continuing care retirement communities nationwide. Accreditation by the Commission on Accreditation of Rehabilitation Facilities (CARF) indicates that the community has been carefully evaluated and found to meet standards of excellence agreed upon by continuing care professionals.

### **E. Legal Description**

Glenaire, Inc. is a not-for-profit corporation organized under the laws of the State of North Carolina and chartered on May 15, 1991.

## **F. Organization**

The Presbyterian Homes, Inc. manages divisions and an affiliate subject to the direction of the Board of Governors.

Mr. Timothy J. Webster is currently President, Chief Executive Officer, and Assistant Secretary with The Presbyterian Homes, Inc. He has been with the company since April of 1994. During his tenure, he has held the positions of Assistant Controller, Controller, Director of Finance, Director of Operations, and Vice President and Chief Operating Officer. Mr. Webster is a Certified Public Accountant.

Mr. Hank Lovvorn is currently Vice President and Director of Operations with The Presbyterian Homes, Inc. He has been with the company since June 2008. Prior to joining The Presbyterian Homes, Inc. he served as regional Vice President of Operations for a multi-community retirement organization in Florida.

Mrs. Julia F. Hanover is currently Vice President and Chief Financial Officer, and Assistant Treasurer with The Presbyterian Homes, Inc. She has been with the company since March of 1998. She has served as Controller and Director of Finance. Mrs. Hanover is a Certified Public Accountant.

Mr. Mark Collins is currently Vice President and Director of Human Resources. He has been with the company since September 2012.

Glenaire, Inc. is managed by its employed staff subject to the Board of Trustees which are approved and appointed by the Board of Governors of The Presbyterian Homes, Inc. Mr. Ben Stevens is employed by the Parent as Executive Director charged with overseeing all aspects of the operation of the community. He has been employed by The Presbyterian Homes, Inc. since November 2020. He has over 6 years of experience in the continuing care retirement community field.

**THE PRESBYTERIAN HOMES, INC.  
BOARD OF GOVERNORS  
2022**

Mrs. Angela Butler  
2109 Sandy Ridge Road  
Colfax, NC 27235

Attorney, Partner  
McAllister, Aldridge & Kreinbrink, PLLC  
High Point, NC

Mr. David Coulter  
2109 Sandy Ridge Road  
Colfax, NC 27235

Retired  
WakeMed, Senior VP, Administrator at Cary Hospital  
Cary, NC

Dr. Mac Doubles  
2109 Sandy Ridge Road  
Colfax, NC 27235

Clergy/Retired College Educator  
Hartsville, SC

Mrs. Lori Haddock  
2109 Sandy Ridge Road  
Colfax, NC 27235

Managing Partner  
Midtown Financial Advisors  
Greensboro, NC

Mr. Bubba Judy  
2109 Sandy Ridge Road  
Colfax, NC 27235

Sales Manager  
Beeson Hardware Company  
High Point, NC

Mrs. Leigh Ann Klee  
2109 Sandy Ridge Road  
Colfax, NC 27235

CFO/COO  
PACE Communications  
Greensboro, NC

Mrs. Connie Laster  
2109 Sandy Ridge Road  
Colfax, NC 27235

Retired / Accountant  
High Point, NC

Mr. Alexander L. Maultsby  
2109 Sandy Ridge Road  
Colfax, NC 27235

Attorney, Partner  
Ramseur Maultsby, LLP  
Greensboro, NC

Mr. D. Hector McEachern  
2109 Sandy Ridge Road  
Colfax, NC 27235

Consultant  
The McEachern Group  
High Point, NC

The Hon. Judge Bill McIlwain  
2109 Sandy Ridge Road  
Colfax, NC 27235

Retired / District Court Judge  
Laurinburg, NC

Mr. Debbie Pappas  
2109 Sandy Ridge Road  
Colfax, NC 27235

Retired  
Teacher and Counselor

Mr. Bill Smith  
2109 Sandy Ridge Road  
Colfax, NC 27235

Retired  
U.S. Navy Commander/Ship Engineer  
Multiple locations

Mr. Christopher B. Taylor  
2109 Sandy Ridge Road  
Colfax, NC 27235

Past Assistant Secretary  
North Carolina Medical Care Commission  
Raleigh, NC

Mr. Eddie Williford  
2109 Sandy Ridge Road  
Colfax, NC 27235

Vice-President Construction Division  
Gregory Poole  
Raleigh, NC

Mr. Greg Wood  
2109 Sandy Ridge Road  
Colfax, NC 27235

CEO/Administrator  
Scotland Healthcare System  
Laurinburg, NC

Mr. Alec Wrenn  
2109 Sandy Ridge Road  
Colfax, NC 27235

Retired  
Wrenn Zealy Properties, Inc.  
Greensboro, NC

Mr. Thomas W. Williams, Jr.  
2109 Sandy Ridge Road  
Colfax, NC 27235  
**(BOG Emeritus)**

Retired  
Wachovia Bank, NA  
Winston-Salem, NC

***Glenaire, Inc.***  
***2022 Board of Trustees***  
***Occupations***

|   |   |
|---|---|
| Mr. Doug Brown<br>4000 Glenaire Circle<br>Cary, NC 27511              | Retired, Owner-Affordable Dentures                            |
| Mrs. Nandinta (Nan) Garg<br>4000 Glenaire Circle<br>Cary, NC 27511    | Occupational Therapist  |
| Mrs. Susan Hodges<br>4000 Glenaire Circle<br>Raleigh, NC 27609        | Retired CPA   |
| Mr. George Jordan<br>4000 Glenaire Circle<br>Cary, NC 27519           | Builder   |
| Mrs. Becky King<br>4000 Glenaire Circle<br>Raleigh, NC 27608          | Retired, Investment Consultant                                |
| Mr. Jim Little<br>4000 Glenaire Circle<br>Raleigh, NC 27607           | Developer   |
| Ms. Regina McLaurin<br>4000 Glenaire Circle<br>Cary, NC 27511         | Retired, Owner McLaurin Parking                               |
| Mr. William (Bill) Mickey<br>4000 Glenaire Circle<br>Garner, NC 27529 | President, WL Mickey Building Co.                             |
| Mr. Jim Nichols<br>4000 Glenaire Circle<br>Cary, NC 27511             | Economic Business Development<br>at O'Brien Atkins Associates |
| Mrs. Debbie Pappas<br>4000 Glenaire Circle<br>Raleigh, NC 27612       | Retired, Educational Teacher &<br>Counselor                   |

Dr. Delores Parker  
4000 Glenaire Circle  
Raleigh, NC 27612

Former VP of NC Community College  
System

Mrs. Hilda Pinnix-Ragland  
4000 Glenaire Circle  
Cary, NC 27511

V.P. Corp. Public Affairs-Duke Energy

Mr. Ben Shivar  
4000 Glenaire Circle  
Cary, NC 27511

Retired, Cary Town Manager

Mr. Bill Smith  
4000 Glenaire Circle  
Cary, NC 27511

Retired, U.S. Navy Commander  
/Ship Engineer

Rev. Dr. Jody Welker  
4000 Glenaire Circle  
Cary, NC 27511

Minister, Kirk of Kildaire

Dr. Judy Thomas, PhD  
4000 Glenaire Circle  
Cary, NC 27511

Retired, NC State Professor

Mr. Eddie Williford  
4000 Glenaire Circle  
Cary, NC 27511

V.P. Gregory Poole  
Construction Division

None of the Trustees are employed by Glenaire, Inc. and the services as Trustees are without remuneration.

No member of the Board of Trustees or the named management staff 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 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 community, nursing home, retirement home, home for aged, or community subject to this Article 58-64 or a similar law in another state.

No member of the Board of Trustees or the named management staff has a ten percent or greater interest in any professional service firm, association, trust, partnership, or corporation which is presently or expects to provide goods, leases or services to the community or to Residents of the community of an aggregate value of \$500 or more within any year. No entity that provides or will provide goods or services to the community of \$500 or more has a ten percent or greater interest in any members of the Board of Governors, Trustees, or management staff.

Annually each member of the Board of Governors or the Board of Trustees shall state in writing that they are free of a Conflict of Interest and comply with the Code of Conduct. A copy of the Conflict of Interest Statement is included as Exhibit E.

## **G. Location and Description of Physical Property**

Glenaire is located on a wooded 30-acre site at the northwest corner of Kildaire Farm and Cornwall Roads. The community consists of 71 nursing beds, 49 assisted living beds and 224 residential or independent living accommodations: 176 in four, three-story apartment buildings and 48 duplex cottages. A central Community Center serves the entire campus. The mailing and street address is 4000 Glenaire Circle, Cary, NC 27511-3202.

## **H. Estimated Number of Residents**

As of December 31, 2021, Glenaire had 408 Residents, all of whom are covered by contracts for continuing care.

## **II. POLICIES – ADMISSION/OCCUPANCY**

### **A. Health Criteria**

Admission requirements for Residents at Glenaire are non-discriminatory except as to age and Glenaire is open to both married and single men and women of all races and religions and without regard to place of former residence. Residents are expected to be able to live independently. Admission is restricted to persons 62 years of age or older, except that in the case of a married couple in which one spouse is at least 62 years of age, the other spouse shall be at least 55 years of age. Glenaire requires that a Resident submit a report of a physical examination of the Resident made by a physician selected by the Resident within 60 days of the projected occupancy date. If the health of the Resident, as disclosed by such physical examination, differs materially from that disclosed in the Resident's application for admission and personal health history, Glenaire shall have the right to decline admission of the Resident and to terminate the Residence and Care Agreement, or at the discretion of Glenaire, to permit Resident to take occupancy at Glenaire in suitable accommodations to the needs of the Resident.

### **B. Financial and Insurance Criteria**

Financial guidelines required for acceptance of a Resident are reviewed by the Admissions Committee on a case by case basis. However, Residents of Glenaire are expected to have sufficient financial resources to pay the entrance fee, monthly fee and other personal expenses for the duration of the anticipated residence at the community.

All Residents are required to carry major medical health insurance policies of their choice. Most will have Medicare coverage and may elect other forms of long-term care insurance. Insofar as applicable, all such insurance coverage will be applied to health care charges within Glenaire.

### **C. Changes of Condition Prior to Occupancy**

In the event, after payment of entrance fee and before occupancy by Resident, the Resident or Resident's spouse or roommate should die, or if, on account of illness, injury, or incapacity, a Resident would be precluded from occupying a living unit in the community under the terms of the contract for continuing care, or if it is determined that the Resident no longer qualifies for admission to Glenaire after execution of such contract, the contract is "automatically cancelled." Any refund due shall be paid within sixty (60) days of termination.



#### **D. Cancellation/Termination**

1. First Thirty (30) Days. Notwithstanding anything herein to the contrary, the Resident may rescind this contract within thirty (30) days following the later of the execution of the contract or receipt of a disclosure statement, in which any money paid to the Corporation shall be refunded to the Resident in full. The Resident is not required to move into the residence before the expiration of the aforesaid thirty (30) day period. If the Resident moves into the residence during the thirty (30) day period and rescinds the contract during the thirty (30) day period, the Resident will receive a refund of any money paid to the Corporation less a service charge not to exceed the greater of one thousand dollars (\$1,000) or two percent (2%) of the entrance fee. Any refund due shall be paid within sixty (60) days of termination of the agreement.
2. Termination After Thirty (30) Day Rescission Period Prior to Occupancy. This Agreement may be terminated by the Resident at any time for any reason prior to taking occupancy at Glenaire by giving written notice to the Corporation. This Agreement may be terminated by the Corporation at any time prior to the date the Resident takes occupancy, if the Corporation determines that the Resident does not meet the physical, mental, or financial requirements for admission. In the event of such termination, the Resident shall receive a refund of the Entrance Fee less 5 percent (5%) of the Entrance Fee as a non-refundable fee, provided, that no non-refundable fee will be made if such termination is because of the death of the Resident or Resident's spouse or roommate or because of a change in the physical or mental condition or financial reversal which would make the Resident or Resident's spouse or roommate ineligible for admission to Glenaire. Any refund due shall be paid within sixty (60) days of termination of the agreement.
3. Termination During Trial Period. The first sixty (60) days of residency at Glenaire will be considered to be on a trial basis. During such sixty (60) day period, the Resident will have the right to terminate this Agreement by giving the Corporation written notice of such termination and shall receive a full refund of the Entrance Fee paid less 4 percent thereof as a non-refundable fee. During such sixty (60) day period, the Corporation shall have the right to terminate this Agreement based on the Corporation's determination that the Resident's physical or mental condition or emotional adjustment will not permit adaptation to the living environment at Glenaire. In the event of such termination, the Corporation will refund the full Entrance Fee paid to the Corporation. Any refund due the Resident under this paragraph shall be paid (without interest) within sixty (60) days after Living Accommodation has been vacated.
4. Termination After Trial Period. At any time after the expiration of the first sixty (60) days of residence at Glenaire, the Resident may terminate the Agreement by giving PHI thirty (30) days prior written notice of such termination. In the event of such termination, the Resident may be entitled to receive a partial refund. Any partial refund shall be determined and paid as follows: Resident shall receive a refund in an amount equal to the Entrance Fee paid to PHI less the applicable Amortization percentage set forth in Paragraph 2(a) for the type of Entrance Fee Option selected by Resident thereof for each full calendar month or portion thereof which has elapsed from Resident's Admission Date to the effective date of termination and less four percent (4%) which is the nonrefundable portion of the Entrance Fee. For avoidance of doubt, all Entrance Fee refunds are calculated assuming and based upon full calendar months. Any portion of a calendar month (whether relating to the month of Resident's Admission Date or the month of Resident's termination date of this Agreement)

shall be deemed to be full and separate calendar months for purposes of calculating any Entrance Fee refund. Any refund due will be paid at such time that the resident living accommodation has been reserved by a prospective resident and the prospective resident has paid the resident entrance fee.

5. Termination by Corporation. Corporation may terminate this Agreement at any time if there has been a material misrepresentation or omission made by the Resident in the Resident's Application for Admission, Personal Health History or Confidential Financial Statement; if a material change in the Resident's health takes place before occupancy (Admission Date); if the Resident fails to make payment to Corporation of any fees or charges due Glenaire within sixty (60) days of the date when due; if the Resident does not abide by the rules and regulations adopted by Corporation as determined by Corporation; or Resident breaches any of the terms and conditions of this Agreement. In the event of termination for any of such causes the Resident may be entitled to a partial refund of the Entrance Fee paid by the Resident determined in accordance and paid in the same manner as provided above.

#### **E. Moves**

Glenaire has the authority to determine that the Resident should be transferred from the Resident's living accommodation to the Health Center or from one level of care to another level of care within the Health Center. Such determination will be based on the professional opinion of the Medical Director and the Executive Director of Glenaire and will be made only after consultation to the extent practical with the Resident, a representative of the Resident's family or the sponsor of the Resident and the Resident's attending physician.

If it is determined by the Medical Director and the Executive Director that the Resident needs care beyond that which can be provided by the community and personnel of Glenaire, the Resident may be transferred to a hospital, center or institution equipped to give such care, which care will be at the expense of the Resident. Such transfer of the Resident will be made only after consultation to the extent possible with the Resident, a representative of the Resident's family or the sponsor of the Resident and the Resident's attending physician.

If a determination is made by Glenaire that any transfer described above is probably not temporary in nature, the Resident must surrender the living accommodation or the accommodation in the Health Center occupied by the Resident prior to such transfer. If Glenaire subsequently determines upon the opinion of the Medical Director and the Executive Director that the Resident can resume occupancy in accommodations comparable to those occupied by the Resident prior to such transfer, the Resident will have priority to such accommodations as soon as they become available.

#### **F. Marriage/New Second Occupant**

If a Resident while occupying a living accommodation marries a person who is also a Resident, the two Residents may occupy the living accommodation of either Resident and shall surrender the living accommodation not to be occupied by them. No refund will be payable with respect to the living accommodation surrendered. Such married Residents will pay the monthly fee for double occupancy associated with the living accommodation occupied by them. In the event that a Resident shall marry a person who is not a Resident of Glenaire, the spouse may become a Resident if such spouse meets all of the then current requirements for admission to Glenaire, enters into a then current version of the Agreement and pays an entrance fee in an amount

determined by Glenaire in its discretion but in any event no more than two-thirds of the then current entrance fee associated with the type of living accommodation to be occupied by the Resident and spouse. The Resident and spouse shall pay the monthly fee for double occupancy associated with the living accommodation occupied by them. If the Resident's spouse shall not meet the requirements of Glenaire for admission as a Resident, the Resident may terminate this agreement.

#### **G. Inability to Pay**

It is the policy of Glenaire that the Agreement will not be terminated solely because of the Resident's financial inability to continue to pay the monthly fee or other charges payable hereunder by reasons of circumstances beyond the Resident's control, provided, however, this declaration shall not be construed as qualifying the right of Glenaire to terminate the Agreement in accordance with the terms hereof. In the event that a Resident presents the facts which in the opinion of Glenaire justify special financial consideration, careful consideration will be given to subsidizing in whole or in part the monthly fee and other charges payable by the Resident so long as such subsidy can be made without impairing the ability of Glenaire to attain its objectives while operating on a sound financial basis. Any determination by Glenaire with regard to the granting of financial assistance shall be within the sole discretion of Glenaire under a separate agreement. If Glenaire requests, Resident agrees to apply for Medicaid, public assistance or any other reasonably available public benefit program to offset Resident's monthly charge or other charges payable hereunder.

### **III. SERVICES**

#### **A. Standard Services Available**

Services provided by Glenaire which are included in the base fee are as follows: living accommodations, utilities for all Residents of apartments, basic furnishing of systems and appliances, two meals (one for those in duplexes), basic housekeeping services, flat laundry, basic maintenance and repairs, grounds keeping, parking, common facilities, transportation, activities, nursing and health care.

#### **B. Services Available at Extra Charge**

Residents will be expected to pay for physicians, medical/surgical specialists and practitioners, hospital costs, all drugs and special treatments that cannot be provided by the Health Care community.

Other services available at extra charge include telephone installation charge, the cost of telephone services, extra meals, special medical services and hair salon services. The cost of the two most expensive meals will be included in the monthly charge. If the Resident eats more than two meals on any given day, he/she will be charged for the least expensive of the meals served. An additional charge may be made for transportation for special personal or group trips.

Glenaire operates a clinic which is staffed by a nurse practitioner. All services provided by the clinic are billed to the resident.

### C. Health Services Available

A health care center at Glenaire is provided for the benefit of the Residents. Charges for the accommodation of services shall be included in the per diem rate. If the Resident is transferred to nursing, the Resident shall continue to pay the monthly charge equal to the same monthly charge associated with the same type of living accommodation the Resident moved from for the first 14 days. During such 14-day period, the Resident will not be required to pay a per diem charge for occupancy in nursing but shall pay for additional meals or other services not normally covered by the monthly charge. In addition, after the 14 grace days, the Resident shall thereafter pay 80% of the amount of the published per diem rate for the nursing accommodation plus charges for the services not included in such per diem rate.

### D. Personal Services Available

For purposes of counseling and assistance, Glenaire will provide professional staff in Resident relations, social work and activities. Visits by outside clergy and counselors are facilitated. Recreation, entertainment and wellness activities are extensive and adjusted to meet the needs and interests of the Residents.

## IV. FEES

### A. Application/Registration Fee

Glenaire has non-refundable administrative fees of \$200 each to process an application and to reserve a priority on the Future Resident Reservation Program waiting list.

### B. Entrance Fees

An entrance fee is a payment that assures a Resident a place in a community for a term of years or for life. There is an entrance fee as a condition to becoming a Resident of Glenaire. Ten percent of the entrance fee is due and payable upon execution of the Agreement. The balance is due and payable 10 days prior to the projected date of occupancy. Entrance fees vary according to the size of the living accommodation. See entrance fee schedule below:

|                                     |  |                       |
|-------------------------------------|--|-----------------------|
| <b><u>Apartments</u></b>            |  |                       |
|                                     | *Studio  | \$69,000              |
|                                     | *One Bedroom   | \$133,000 - \$166,000 |
|                                     | *One Bedroom with study  | \$177,000             |
|                                     | *Two Bedroom   | \$215,000 - \$219,000 |
| <b>Wee Loch</b>                     |  |                       |
| <b><u>Apartments</u></b>            | Two Bedroom with den   | \$319,000 - \$441,000 |
|                                     | *Add an additional \$10,000 for apartments with patio or balcony |                       |
| <b><u>Cottages</u></b>              |  |                       |
|                                     | Two Bedroom with study   | \$311,000 - \$429,000 |
|                                     | Three Bedroom with study   | \$429,000             |
| <b><u>Health Care Community</u></b> |  |                       |
|                                     | Assisted Living  | \$17,650              |
|                                     | Nursing  | \$12,475              |

\* New Independent Living Units – Expected to be completed and ready for occupancy by July 2023:

|                         |           |              |
|-------------------------|-----------|--------------|
| Residential Apartments: |           |              |
| Two Bedroom             | \$395,000 | to \$541,000 |
| Three Bedroom           | \$600,000 |              |
| Three Bedroom Deluxe    | \$769,000 |              |

### C. Monthly Fees

Residents of Glenaire pay a monthly fee or per diem fee according to the following schedule:

|                              |  |                 |
|------------------------------|--|-----------------|
| <u>Apartments</u>            |  |                 |
| Studio                       |  | \$2,684         |
| One Bedroom                  |  | \$3,144         |
| One Bedroom with study       |  | \$3,676         |
| Two Bedroom                  |  | \$3,676         |
| <u>Wee Loch Apartments</u>   |  |                 |
| Two Bedroom with study       |  | \$3,991-\$4,890 |
| <u>Cottages</u>              |  |                 |
| Two Bedroom                  |  | \$3,809-\$4,217 |
| Two Bedroom Expanded         |  | \$4,217         |
| <u>Second Person Fee</u>     |  | \$1,185         |
| <u>Health Care Community</u> |  |                 |
| Assisted Living              |  | \$6,450         |
| Nursing                      |  | \$334 / day     |

\* New Independent Living Units – Expected to be completed and ready for occupancy by July 2023:

|                         |         |            |
|-------------------------|---------|------------|
| Residential Apartments: |         |            |
| Two Bedroom             | \$4,255 | to \$4,612 |
| Three Bedroom           | \$4,886 |            |
| Three Bedroom Deluxe    | \$5,599 |            |

### D. Fee Change Policy

Glenaire shall have the authority to adjust the monthly charge from time to time during the term of the Agreement as Glenaire in its discretion deems necessary in order to reflect changes in the costs of providing the communities, programs and services described therein, consistent with operating on a sound financial basis and maintaining the quality of services called for therein. Any such increases in the monthly charge or other charges may be made by Glenaire upon 30 days written notice to the Resident.

## E. Changes in Fees for the Previous Five (5) Years

Following is a schedule of monthly fee changes for the previous five years. Monthly fees change annually every January 1<sup>st</sup>. This schedule includes independent living including second person fees, assisted living and skilled nursing rate changes.

| <u>Average Dollar Increase</u> | <u>1-1-2018</u> | <u>1-1-2019</u> | <u>1-1-2020</u> | <u>1-1-2021</u> | <u>1-1-2022</u> |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                | \$78            | \$83            | \$91            | \$101           | \$131           |

## V. FINANCIAL INFORMATION

### A. Financial Overview Statement

Glenaire is dedicated to maintaining a sound financial operation and is dependent upon revenue from entrance fees and service fees from Residents of Glenaire. Operating expenses are closely monitored to ensure the provision of quality services in the most cost-effective manner possible.

### B. Reserves, Escrow and Trusts

According to the provisions of G.S. 58-64-33, The Presbyterian Homes, Inc. is required to have operating reserves equal to 25% of its operating costs projected for the first fiscal year of the forecast, if occupancy levels remain in excess of 90%. Scotia Village, River Landing at Sandy Ridge and Glenaire, Inc. have and expect to maintain an occupancy rate in excess of 90%.

The required reserve for 2022 based on the forecasted operating costs is \$17,549,000 and is shown on the balance sheet as Reserves Required by State Statute. These assets are managed by Bank of America. The current investment manager is Mrs. Mary Stokes a Senior Vice President and Senior Portfolio Strategist in the U.S. Trust, Bank of America office of Customized Portfolio Management.

## VI. OTHER MATERIAL INFORMATION

### A. Planned Expansion and Renovation

Glenaire, Inc. and The Presbyterian Homes, Inc. plans to expand its Glenaire campus by adding 192 independent living apartments, 35 units of assisted housing (Multi-unit Assisted Housing with Services) and a new Adult Day Care Center for seniors, which is a relocation of our existing center. This expansion will be located across the street at 960 Kildaire Farm Road. Amenities such as resident services, environmental services, dining services, maintenance and marketing along with the spaces for each will be provided at this new site. In addition to the expansion of the campus, Glenaire is renovating its main community center of its existing buildings, which includes the main dining room, auditorium, administrative offices and main rotunda. At this time we estimate the total cost of all these projects to be approximately \$ 190,000,000. The expansion apartments will consist of 36 two-bedroom units, 91 two-bedroom units with den; 45 two bedroom with den deluxe units; 18 three-bedroom units; and 2 units with approximately 2,700 square feet. Construction began in the fall of 2020 and will be ready for occupancy in July 2023.

The expansion and renovations that will be financed, are expected to cost \$190,000,000, after a

\$8,500,000 projected equity contribution. Project costs have been financed with a hybrid of publicly offered bonds and a direct bank placement structure. The \$198,500,000 total project costs include design, engineering, marketing, construction and other development costs related to the project.

The Presbyterian Homes has contributed equity to the project through the purchase of an approximate 11-acre tract of land. This equity contribution totals approximately \$8,500,000. It is also assumed that any costs incurred above \$190,000,000 will be in the form of an equity contribution to the project. This equity contribution comes from reserves of the Organization.

Project Costs:

|  |                  |
|--|------------------|
| Land   | \$ 8,500,000     |
| Construction and Site Work cost related to the project | \$161,000,000    |
| Contingency  | \$8,050,000      |
| Architectural & Engineering Expenses                   | \$6,675,000      |
| Furniture, Fixtures & Equipment                        | \$11,897,000     |
| Permits, Surveys and Other Expenses                    | \$2,222,000      |
| Miscellaneous  | <u>\$156,000</u> |
| Total:   | \$198,500,000    |

We began marketing the expansion units in November 2020 and to date all units are reserved with a 10% deposit.

Management assumes that the existing residences (IL, AL and SN) would maintain 95% occupancy level and the expansion independent living units would begin fill-up in July 2023 and achieve 95% occupancy in October 2023 and remain at 95% occupancy through the forecast period. The following table summarizes the existing and forecasted residences in independent living (IL).

| Years ended<br>September 30 | Existing Residences |           |               | Expansion Residences |           |               | Total IL<br>Occupancy |
|-----------------------------|---------------------|-----------|---------------|----------------------|-----------|---------------|-----------------------|
|                             | Occupied            | Available | %<br>Occupied | Occupied             | Available | %<br>Occupied |                       |
| 2022                        | 215                 | 224       | 95%           | -                    | -         | -             | 95%                   |
| 2023                        | 215                 | 224       | 95%           | 135                  | 192       | 70%           | 73%                   |
| 2024                        | 215                 | 224       | 95%           | 182                  | 192       | 95%           | 95%                   |
| 2025                        | 215                 | 224       | 95%           | 182                  | 192       | 95%           | 95%                   |
| 2026                        | 215                 | 224       | 95%           | 182                  | 192       | 95%           | 95%                   |

**[ THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK ]**

Assumed Monthly Move-in Pattern for Projected Expansion ILU's (Net of Move-outs)

| Fiscal Year/Month | Monthly Total | Cumulative Total | Occupancy Percentage |
|-------------------|---------------|------------------|----------------------|
| <b>2022</b>       | -             | -                | 0%                   |
| <b>2023</b>       |               |                  |                      |
| July              | 45            | 45               | 23%                  |
| August            | 45            | 90               | 47%                  |
| September         | 45            | 135              | 70%                  |
| <b>2024</b>       |               |                  |                      |
| October 2023      | 47            | 182              | 95%                  |

All assumptions are incorporated into the Five-Year Projection Statements in Exhibit B.

**B. Explanation of Material Differences**

The threshold for materiality is \$2,000,000. **(continued on Page 15)**

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|  | (in thousands of dollars) | 2021 Forecast | 2021 Audit | Difference | Explanation (\$2,000) |
|--|---------------------------|---------------|------------|------------|-----------------------|
| <b>Statement of Balance Sheets</b>   |                           |               |            |            |                       |
| Cash and cash equivalents  |                           | 14,442        | 23,667     | (9,225)    | Note 1                |
| Assets limited as to use, required for current liabilities   |                           | 2,502         | 1,209      | 1,293      | Note 2                |
| Accounts receivable  |                           | 1,054         | 1,350      | (296)      |                       |
| Other receivables  |                           | 2,501         | 3,380      | (879)      |                       |
| Other current assets   |                           | 666           | 998        | (332)      |                       |
| Under bond agreement   |                           | 49,385        | 66,840     | (17,455)   | Note 2                |
| Reserves required by state statute   |                           | 17,127        | 17,127     | -          |                       |
| By donors for permanent endowment funds  |                           | 3,653         | 4,121      | (468)      | Note 1                |
| Investments  |                           | 104,848       | 130,445    | (25,597)   | Note 1                |
| Other assets   |                           | 95            | 97         | (2)        |                       |
| Land, buildings and equipment  |                           | 405,241       | 338,804    | 66,437     | Note 3                |
| Construction in progress   |                           | 4,509         | 52,574     | (48,065)   | Note 3                |
| Accumulated depreciation   |                           | (114,457)     | (116,847)  | 2,390      | Note 3                |
| Current maturities of long-term debt   |                           | 9,636         | 9,634      | 2          |                       |
| Accounts payable   |                           | 3,999         | 7,133      | (3,134)    | Note 4                |
| Accrued payroll and related expenses   |                           | 1,887         | 2,170      | (283)      |                       |
| Accrued interest   |                           | 1,999         | 852        | 1,147      |                       |
| Other accrued expenses   |                           | 712           | 712        | -          |                       |
| Estimated refundable entrance fees   |                           | 1,077         | 1,230      | (153)      | Note 6                |
| Long-term debt   |                           | 202,009       | 212,711    | (10,702)   | Note 5                |
| Deferred revenue - nonrefundable fees  |                           | 39,443        | 43,231     | (3,788)    | Note 6                |
| Deferred revenue - refundable fees   |                           | 34,806        | 30,176     | 4,630      | Note 6                |
| Refundable entrance fees   |                           | 12,218        | 10,691     | 1,527      | Note 6                |
| Admission deposits   |                           | 10,056        | 12,055     | (1,999)    | Note 6                |
| Interest rate swap agreement   |                           | 9,268         | 5,017      | 4,251      | Note 4                |
| Other accrued expenses   |                           | 1,111         | 1,693      | (582)      |                       |
| Assets without donor restrictions  |                           | 155,367       | 176,442    | (21,075)   | Note 7                |
| Assets with donor restrictions   |                           | 7,978         | 10,018     | (2,040)    | Note 4                |
| <b>Statements of Operations</b>  |                           |               |            |            |                       |
| Amortization of advance fees   |                           | 14,917        | 13,008     | 1,909      |                       |
| Service fees, residential  |                           | 33,443        | 34,002     | (559)      |                       |
| Service fees, assisted living  |                           | 7,884         | 7,494      | 390        |                       |
| Service fees, nursing  |                           | 18,787        | 17,495     | 1,292      |                       |
| Adult day care   |                           | 60            | 38         | 22         |                       |
| Food service income  |                           | 245           | 188        | 57         |                       |
| Reimbursed medical   |                           | 2,564         | 2,217      | 347        |                       |
| Golf course revenue  |                           | 25            | 40         | (15)       |                       |
| Management fee   |                           | -             | 2,852      | (2,852)    | Note 8                |
| Other  |                           | 3,359         | 2,053      | 1,306      | Note 8                |
| Routine services   |                           | 17,578        | 16,995     | 583        |                       |
| Resident services  |                           | 1,620         | 1,470      | 150        |                       |
| Dining services  |                           | 9,612         | 9,903      | (291)      |                       |
| Environmental services   |                           | 3,095         | 2,925      | 170        |                       |
| Maintenance  |                           | 6,902         | 6,611      | 291        |                       |
| Marketing  |                           | 1,793         | 1,344      | 449        |                       |
| Administration   |                           | 13,568        | 14,921     | (1,353)    |                       |
| Depreciation and amortization  |                           | 6,719         | 9,094      | (2,375)    | Note 3                |
| Bond interest and amortization   |                           | 6,263         | 4,048      | 2,215      | Note 5                |
| Purchased medial services  |                           | 2,846         | 2,260      | 586        |                       |
| Golf course and grounds expense  |                           | 1,040         | 1,057      | (17)       |                       |
| Miscellaneous, net   |                           | 223           | 587        | (364)      |                       |
| Contributions  |                           | 1,272         | 1,352      | (80)       |                       |
| Net realized investment income   |                           | 3,973         | 13,205     | (9,232)    | Note 1                |
| Net unrealized appreciation of investments   |                           | -             | 11,839     | (11,839)   | Note 1                |
| Change in fair value of interest rate swap agreement   |                           | -             | 3,804      | (3,804)    | Note 4                |
| Other  |                           | -             | 16         | (16)       |                       |
| <b>Statement of Cash Flows</b>   |                           |               |            |            |                       |
| Change in net assets   |                           | 15,270        | 38,385     | (23,115)   | Note 7                |
| Entrance fees received   |                           | 14,016        | 13,512     | 504        |                       |
| Amortization of entrance fees  |                           | (14,917)      | (13,008)   | (1,909)    |                       |
| Debt forgiveness - deferred CARES funds  |                           | -             | (1,462)    | 1,462      |                       |
| Depreciation   |                           | 7,443         | 9,094      | (1,651)    |                       |
| Change in fair value of interest rate swap agreement   |                           | -             | (3,804)    | 3,804      | Note 4                |
| Realized and Unrealized gains on investments and investment income   |                           | -             | (11,839)   | 11,839     | Note 1                |
| Net realized investment income   |                           | -             | (12,996)   | 12,996     | Note 1                |
| Amortization of deferred CON costs   |                           | 6             | -          | 6          |                       |
| Amortization of deferred financing costs   |                           | 200           | -          | 200        |                       |
| Amortization of bond premium   |                           | (930)         | -          | (930)      |                       |
| Trade and other receivables  |                           | 546           | (556)      | 1,102      |                       |
| Unconditional promises to give   |                           | 11            | -          | 11         |                       |
| Other assets   |                           | (12)          | (343)      | 331        |                       |
| Decrease in accounts payable and accrued expenses  |                           | (727)         | 3,141      | (3,868)    | Note 4                |
| Purchases of property and equipment  |                           | (67,465)      | (49,093)   | (18,372)   | Note 3                |
| Payments on issuance costs   |                           | -             | (1,691)    | 1,691      |                       |
| Net proceeds (purchases) of investments  |                           | (64,055)      | (81,426)   | 17,371     | Note 1                |
| Principal payments of long-term debt   |                           | (8,310)       | (8,307)    | (3)        |                       |
| Proceeds from long-term borrowings   |                           | 96,086        | 108,487    | (12,401)   | Note 5                |
| Refunds of refundable fees   |                           | (904)         | (2,611)    | 1,707      |                       |
| Note 1 - Due to gains on investments and or cash is forecasted to remain constant. We do not forecast investment realized or unrealized gains or losses. |                           |               |            |            |                       |
| Note 2 - Draw downs on Construction Funds borrowed were not as fast as expected.   |                           |               |            |            |                       |
| Note 3 - Construction projects not proceeding as fast as expected and/or construction projects not started as expected.                                  |                           |               |            |            |                       |
| Note 4 - Items aren't adjusted for forecast.   |                           |               |            |            |                       |
| Note 5 - Original issue premium amount unknown at time of 2021 forecast.   |                           |               |            |            |                       |
| Note 6 - When viewed in total, do not exceed materiality limit.  |                           |               |            |            |                       |
| Note 7 - Factor of differences in other categories.  |                           |               |            |            |                       |
| Note 8 - Management fee in Other for forecast.   |                           |               |            |            |                       |

**B. Current Certified Financial Statements (*See Exhibit A Attached*)**

Audited financial statements of The Presbyterian Homes, Inc. for the fiscal year ended September 30, 2021, are attached as Exhibit A.

**C. Five Year Projection Statements (*See Exhibit B Attached*)**

Five-year forecasted Statements of Financial Position, Statements of Activities and Cash Flows with significant assumptions and CPA compilation statement are attached as Exhibit B.

**D. Resident's Agreement/Contract (*See Exhibit C Attached*)**

A copy of the current Glenaire Residence and Care Agreement which complies with all contract specifications as per North Carolina General Statute G.S. 58-64-25 (a) and (b) is attached as Exhibit C.

**E. Actuarial Summary Report**

Not required.

**F. Interim Financial Statements (*See Exhibit D Attached*)**

Interim Financial Statements for the period ended December 31, 2021 are attached as Exhibit D.

# Exhibit A

## THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES

COMBINED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2021 AND 2020



# THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES

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## Independent Auditor's Report

To the Board of Directors  
The Presbyterian Homes, Inc.  
Colfax, North Carolina

We have audited the accompanying combined financial statements of The Presbyterian Homes, Inc. and Its Combined Affiliates (the "Organization"), which comprise the combined statements of financial position as of September 30, 2021 and 2020, and the related combined statements of operations and changes in net assets, expenses by nature and function, and cash flows for the years then ended and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the combined 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 Organization'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 combined financial statements.

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

### Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Presbyterian Homes, Inc. and Its Combined Affiliates as of September 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
January 14, 2022

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Combined Statements of Financial Position**  
**September 30, 2021 and 2020**

|  | <u>Assets</u>                    |                                  |
|--|----------------------------------|----------------------------------|
|  | <u>2021</u>                      | <u>2020</u>                      |
| Current Assets:  |                                  |                                  |
| Cash and cash equivalents  | \$ 23,667,227                    | \$ 38,183,511                    |
| Assets limited as to use, required for current liabilities                   | 1,208,679                        | 1,296,391                        |
| Accounts receivable, net of allowance for doubtful accounts                  |                                  |                                  |
| <b>\$646,066 in 2021; \$675,842 in 2020</b>                                  | <b>1,349,911</b>                 | 1,038,402                        |
| Other receivables  | 3,299,530                        | 3,060,875                        |
| Unconditional promises to give, net  | 80,000                           | 11,000                           |
| Other  | 998,422                          | 654,948                          |
| Total current assets   | <u>30,603,769</u>                | <u>44,245,127</u>                |
| Assets limited as to use, net of amount<br>required for current liabilities: |                                  |                                  |
| Under bond agreement   | 66,840,189                       | 9,141                            |
| Reserves required by state statute   | 17,127,000                       | 15,224,883                       |
| By donors for permanent endowment funds                                      | 4,121,365                        | 3,653,271                        |
| Residents' cash deposits   | 341                              | 716                              |
|  | <u>88,088,895</u>                | <u>18,888,011</u>                |
| Investments and other assets:  |                                  |                                  |
| Investments  | 130,444,722                      | 93,277,261                       |
| Other assets   | 97,057                           | 101,971                          |
|  | <u>130,541,779</u>               | <u>93,379,232</u>                |
| Property and Equipment:  |                                  |                                  |
| Land, buildings and equipment  | 338,803,783                      | 310,190,917                      |
| Construction-in-progress   | 52,574,155                       | 32,094,242                       |
|  | <u>391,377,938</u>               | <u>342,285,159</u>               |
| Less accumulated depreciation  | 116,847,151                      | 107,014,625                      |
|  | <u>274,530,787</u>               | <u>235,270,534</u>               |
| <br>Total assets   | <br><u><u>\$ 523,765,230</u></u> | <br><u><u>\$ 391,782,904</u></u> |

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Combined Statements of Financial Position (Continued)**  
**September 30, 2021 and 2020**

|   | <u>Liabilities and Net Assets</u> |                       |
|---|-----------------------------------|-----------------------|
|   | <u>2021</u>                       | <u>2020</u>           |
| Current Liabilities:  |                                   |                       |
| Current maturities of long-term debt  | \$ 9,634,122                      | \$ 7,927,828          |
| Accounts payable  | 7,133,329                         | 4,416,071             |
| Accrued payroll and related expenses  | 2,169,958                         | 1,875,578             |
| Accrued interest  | 852,307                           | 868,269               |
| Other accrued expenses  | 711,582                           | 708,851               |
| Estimated refundable entrance fees  | 1,229,757                         | 1,076,851             |
| Total current liabilities   | <u>21,731,055</u>                 | <u>16,873,448</u>     |
| Long-term debt, less current maturities<br>and unamortized deferred financing costs | <u>212,711,192</u>                | <u>116,671,501</u>    |
| Deferred revenue and other liabilities:   |                                   |                       |
| Deferred revenue from entrance fees - non refundable                                | 43,231,338                        | 40,141,839            |
| Deferred revenue from entrance fees - refundable                                    | 30,176,374                        | 35,271,870            |
| Refundable entrance fees  | 10,690,380                        | 12,504,718            |
| Admission deposits  | 12,054,777                        | 10,410,120            |
| Deferred revenue - CARES funds  | -                                 | 1,462,435             |
| Interest rate swap agreement  | 5,016,998                         | 8,820,518             |
| Other accrued expenses  | 1,693,349                         | 1,551,155             |
| Residents' cash deposits  | 341                               | 716                   |
|   | <u>102,863,557</u>                | <u>110,163,371</u>    |
| Total liabilities   | <u>337,305,804</u>                | <u>243,708,320</u>    |
| Net Assets:   |                                   |                       |
| Assets without donor restrictions   | 176,441,926                       | 140,097,215           |
| Assets with donor restrictions  | 10,017,500                        | 7,977,369             |
| Total net assets  | <u>186,459,426</u>                | <u>148,074,584</u>    |
| Total liabilities and net assets  | <u>\$ 523,765,230</u>             | <u>\$ 391,782,904</u> |

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Combined Statements of Operations and Changes in Net Assets**  
**Years Ended September 30, 2021 and 2020**

|  | <u>2021</u>              | <u>2020</u>       |
|--|--------------------------|-------------------|
| Changes in net assets without donor restrictions:  |                          |                   |
| Operating revenues:  |                          |                   |
| Resident fees, including amortization of entrance fees<br>of <b>\$13,007,865</b> in <b>2021</b> and \$12,097,764 in 2020 | <b>\$ 72,036,782</b>     | \$ 69,936,355     |
| Food service income  | <b>188,264</b>           | 240,080           |
| Reimbursed medical   | <b>2,217,374</b>         | 2,508,571         |
| Golf course revenue  | <b>39,613</b>            | 29,763            |
| Management fee   | <b>2,851,863</b>         | 2,185,568         |
| Other  | <b>2,052,776</b>         | 851,960           |
| Total operating revenues   | <u><b>79,386,672</b></u> | <u>75,752,297</u> |
| Operating expenses:  |                          |                   |
| Routine services   | <b>16,994,837</b>        | 16,835,659        |
| Special services   | <b>1,470,106</b>         | 1,390,342         |
| Dining services  | <b>9,902,494</b>         | 8,495,644         |
| Environmental services   | <b>2,925,237</b>         | 2,639,899         |
| Maintenance  | <b>6,611,008</b>         | 6,513,848         |
| Project and development  | <b>294,030</b>           | 287,572           |
| Marketing  | <b>1,343,402</b>         | 1,492,232         |
| Administrative   | <b>14,626,827</b>        | 12,934,336        |
| Depreciation and other charges   | <b>9,094,351</b>         | 8,555,964         |
| Bond and note interest, and amortization   | <b>4,048,401</b>         | 3,379,057         |
| Purchased medical services   | <b>2,259,973</b>         | 2,289,338         |
| Miscellaneous, net   | <b>587,486</b>           | 584,703           |
| Golf course and grounds expense  | <b>1,057,091</b>         | 1,002,727         |
| Total operating expenses   | <u><b>71,215,243</b></u> | <u>66,401,321</u> |
| Increase in net assets without donor restrictions from operations  | <u><b>8,171,429</b></u>  | <u>9,350,976</u>  |
| Nonoperating gains (losses):   |                          |                   |
| Contributions  | <b>77,602</b>            | 239,745           |
| Net realized investment income   | <b>12,369,079</b>        | 4,763,391         |
| Net unrealized appreciation of investments   | <b>11,241,854</b>        | 1,767,574         |
| Net assets released from restrictions  | <b>692,528</b>           | 1,573,431         |
| Change in fair value of interest rate swap agreement   | <b>3,803,519</b>         | (7,305,996)       |
| Other, net   | <b>15,767</b>            | 122,420           |
| Total nonoperating gains   | <u><b>28,200,349</b></u> | <u>1,160,565</u>  |
| Change in net assets without donor restrictions  | <u><b>36,371,778</b></u> | <u>10,511,541</u> |



**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Combined Statements of Operations and Changes in Net Assets (Continued)**  
**Years Ended September 30, 2021 and 2020**

|   | <u>2021</u>          | <u>2020</u>          |
|---|----------------------|----------------------|
| Changes in net assets with donor restrictions:            |                      |                      |
| Contributions   | \$ 810,170           | \$ 731,271           |
| Contributions in perpetual endowment                      | 463,505              | 361,469              |
| Net unrealized (appreciation) depreciation of investments | 597,250              | 167,884              |
| Net realized investment income                            | 834,667              | 261,702              |
| Net assets released from restrictions                     | <u>(692,528)</u>     | <u>(1,573,431)</u>   |
| Increase (decrease) net assets with donor restrictions    | <u>2,013,064</u>     | <u>(51,105)</u>      |
| Changes in net assets                                     | 38,384,842           | 10,460,436           |
| Net assets, beginning                                     | <u>148,074,584</u>   | <u>137,614,148</u>   |
| Net assets, ending  | <u>\$186,459,426</u> | <u>\$148,074,584</u> |

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**

**Combined Statement of Expenses by Nature and Function (Excluding depreciation and amortization, bond and note interest, and miscellaneous, net)  
Year Ended September 30, 2021**

|  | Routine<br>Services  | Special<br>Services | Dining<br>Services  | Environmental<br>Services | Maintenance         | Project<br>and<br>Development |
|--|----------------------|---------------------|---------------------|---------------------------|---------------------|-------------------------------|
| Salaries and wages                         | \$ 14,183,375        | \$ 1,152,262        | \$ 4,680,446        | \$ 2,294,361              | \$ 2,151,248        | \$ 217,898                    |
| Payroll taxes and employee benefits        | 1,380,637            | 103,031             | 416,422             | 261,718                   | 252,052             | 27,267                        |
| Supplies                                   | 807,341              | 40,148              | 807,250             | 214,485                   | 165,041             | 1,846                         |
| Contracted outside services                | 30,699               | 1,970               | 44,391              | -                         | 254,748             | 14,181                        |
| Raw food and nourishments                  | -                    | -                   | 3,822,198           | -                         | -                   | -                             |
| Repairs and maintenance, equipment         | 7,961                | 17,721              | 52,750              | 26,705                    | 78,209              | -                             |
| Repairs and maintenance, buildings         | -                    | -                   | -                   | -                         | 956,853             | -                             |
| Repairs and maintenance, grounds           | -                    | -                   | -                   | -                         | 149,854             | -                             |
| Gas  | -                    | -                   | -                   | -                         | 238,908             | -                             |
| Electricity                                | -                    | -                   | -                   | -                         | 1,255,954           | -                             |
| Water                                      | -                    | -                   | -                   | -                         | 606,994             | -                             |
| Telephone                                  | 9,040                | 4,465               | 638                 | 557                       | 9,437               | 682                           |
| Dues and subscriptions                     | 7,877                | 12,334              | 9,311               | -                         | 3,003               | 1,669                         |
| Insurance, general                         | -                    | -                   | 21,132              | -                         | -                   | -                             |
| Printing                                   | -                    | -                   | 262                 | -                         | -                   | 28,630                        |
| Promotions                                 | 103                  | -                   | -                   | -                         | -                   | -                             |
| Postage                                    | -                    | -                   | 1,350               | -                         | -                   | 641                           |
| Legal and accounting                       | 18,138               | -                   | -                   | -                         | -                   | -                             |
| Consultant's fees                          | 232,673              | -                   | -                   | -                         | -                   | -                             |
| Travel and seminars                        | 7,409                | 14,533              | 1,063               | 20                        | 28,285              | 558                           |
| Employee recruitment and retention         | 1,472                | -                   | -                   | -                         | -                   | -                             |
| Meetings and special events                | 32,226               | 50,436              | (70,253)            | 431                       | -                   | -                             |
| Purchased medical                          | 39,929               | -                   | -                   | -                         | -                   | -                             |
| Outside services                           | 235,822              | 59,930              | 114,183             | 126,829                   | 458,602             | -                             |
| Rent, buildings and equipment              | -                    | -                   | -                   | -                         | -                   | -                             |
| Reimbursed foundation expenses             | -                    | 12,743              | -                   | -                         | -                   | -                             |
| Miscellaneous                              | 135                  | 533                 | 1,351               | 131                       | 1,820               | 658                           |
| Changes in net assets without restrictions | <u>\$ 16,994,837</u> | <u>\$ 1,470,106</u> | <u>\$ 9,902,494</u> | <u>\$ 2,925,237</u>       | <u>\$ 6,611,008</u> | <u>\$ 294,030</u>             |

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**

**Combined Statement of Expenses by Nature and Function (Excluding depreciation and amortization, bond and note interest, and miscellaneous, net)  
Year Ended September 30, 2021**

|  | <u>Marketing</u>    | <u>Administration</u> | <u>Purchased<br/>Medical<br/>Services</u> | <u>Golf<br/>Course</u> | <u>Totals</u>        |
|--|---------------------|-----------------------|---|------------------------|----------------------|
| Salaries and wages                         | \$ 678,022          | \$ 6,027,105          | \$ -                                      | \$ 436,832             | \$ 31,821,549        |
| Payroll taxes and employee benefits        | 67,540              | 4,129,935             | -   | 45,803                 | 6,684,405            |
| Supplies                                   | 8,230               | 807,432               | 172,686                                   | 18,301                 | 3,042,760            |
| Contracted outside services                | -                   | 1,148,535             | -   | 79,964                 | 1,574,488            |
| Raw food and nourishments                  | -                   | -                     | -   | -                      | 3,822,198            |
| Repairs and maintenance, equipment         | 884                 | 162,032               | -   | 22,157                 | 368,419              |
| Repairs and maintenance, buildings         | -                   | 206                   | -   | -                      | 957,059              |
| Repairs and maintenance, grounds           | -                   | 2,000                 | -   | 207,476                | 359,330              |
| Gas  | -                   | 305                   | -   | -                      | 239,213              |
| Electricity                                | -                   | 9,616                 | -   | -                      | 1,265,570            |
| Water                                      | -                   | 1,689                 | -   | -                      | 608,683              |
| Telephone                                  | 1,445               | 88,847                | -   | 517                    | 115,628              |
| Dues and subscriptions                     | 854                 | 79,910                | -   | 293                    | 115,251              |
| Insurance, general                         | -                   | 824,476               | -   | -                      | 845,608              |
| Printing                                   | 98,337              | 10,878                | -   | -                      | 138,107              |
| Promotions                                 | 258,851             | 6,627                 | -   | 147                    | 265,728              |
| Postage                                    | 54,704              | 19,560                | -   | -                      | 76,255               |
| Legal and accounting                       | -                   | 119,697               | -   | -                      | 137,835              |
| Consultant's fees                          | 144,579             | 123,817               | -   | -                      | 501,069              |
| Travel and seminars                        | 1,028               | 89,081                | -   | 3,361                  | 145,338              |
| Employee recruitment and retention         | -                   | 379,071               | -   | -                      | 380,543              |
| Meetings and special events                | 13,032              | 41,053                | -   | -                      | 66,925               |
| Purchased medical                          | -                   | -                     | 2,087,287                                 | -                      | 2,127,216            |
| Outside services                           | 15,806              | 58,147                | -   | 241,904                | 1,311,223            |
| Rent, buildings and equipment              | -                   | 111,496               | -   | -                      | 111,496              |
| Reimbursed foundation expenses             | -                   | 239,428               | -   | -                      | 252,171              |
| Miscellaneous                              | 90                  | 145,884               | -   | 336                    | 150,938              |
| Changes in net assets without restrictions | <u>\$ 1,343,402</u> | <u>\$ 14,626,827</u>  | <u>\$ 2,259,973</u>                       | <u>\$ 1,057,091</u>    | <u>\$ 57,485,005</u> |

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**

**Combined Statement of Expenses by Nature and Function (Excluding depreciation and amortization, bond and note interest, and miscellaneous, net)  
Year Ended September 30, 2020**

|  | Routine<br>Services  | Special<br>Services | Dining<br>Services  | Environmental<br>Services | Maintenance         | Project<br>and<br>Development |
|--|----------------------|---------------------|---------------------|---------------------------|---------------------|-------------------------------|
| Salaries and wages                         | \$ 14,024,258        | \$ 1,058,281        | \$ 3,812,217        | \$ 2,088,927              | \$ 2,115,019        | \$ 196,987                    |
| Payroll taxes and employee benefits        | 1,299,944            | 152,923             | 345,881             | 160,658                   | 248,369             | 29,004                        |
| Supplies                                   | 865,337              | 37,478              | 596,890             | 227,672                   | 134,903             | 902                           |
| Contracted outside services                | 22,032               | 1,699               | 15,896              | 765                       | 263,081             | 15,756                        |
| Raw food and nourishments                  | -                    | -                   | 3,683,309           | -                         | -                   | -                             |
| Repairs and maintenance, equipment         | 17,940               | 12,724              | 80,629              | 24,366                    | 82,448              | -                             |
| Repairs and maintenance, buildings         | -                    | -                   | -                   | -                         | 1,025,276           | -                             |
| Repairs and maintenance, grounds           | -                    | -                   | -                   | -                         | 132,236             | -                             |
| Gas  | -                    | -                   | -                   | -                         | 183,402             | -                             |
| Electricity                                | -                    | -                   | -                   | -                         | 1,261,419           | -                             |
| Water                                      | -                    | -                   | -                   | -                         | 572,247             | -                             |
| Telephone                                  | 11,058               | 4,318               | 225                 | 58                        | 12,275              | 922                           |
| Dues and subscriptions                     | 11,094               | 11,043              | 9,775               | 52                        | 1,027               | 1,329                         |
| Insurance, general                         | 731                  | -                   | 3,420               | -                         | -                   | -                             |
| Printing                                   | -                    | -                   | (167)               | -                         | -                   | 36,192                        |
| Promotions                                 | 43                   | -                   | -                   | -                         | -                   | -                             |
| Postage                                    | -                    | -                   | 256                 | -                         | -                   | 2,339                         |
| Legal and accounting                       | 16,776               | -                   | -                   | -                         | -                   | -                             |
| Consultant's fees                          | 247,888              | -                   | 5,266               | -                         | -                   | -                             |
| Travel and seminars                        | 40,174               | 13,478              | 1,469               | -                         | 31,085              | 3,199                         |
| Employee recruitment and retention         | 1,848                | -                   | -                   | -                         | -                   | -                             |
| Meetings and special events                | 39,135               | 47,776              | (92,149)            | 610                       | 679                 | -                             |
| Purchased medical                          | 55,754               | -                   | -                   | -                         | -                   | -                             |
| Outside services                           | 164,556              | 49,079              | 31,810              | 136,449                   | 449,629             | -                             |
| Rent, buildings and equipment              | -                    | -                   | -                   | -                         | -                   | -                             |
| Reimbursed foundation expenses             | -                    | 1,656               | -                   | -                         | -                   | -                             |
| Miscellaneous                              | 17,091               | (113)               | 917                 | 342                       | 753                 | 942                           |
| Changes in net assets without restrictions | <u>\$ 16,835,659</u> | <u>\$ 1,390,342</u> | <u>\$ 8,495,644</u> | <u>\$ 2,639,899</u>       | <u>\$ 6,513,848</u> | <u>\$ 287,572</u>             |

*See Notes to Combined Financial Statements*

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**

**Combined Statement of Expenses by Nature and Function (Excluding depreciation and amortization, bond and note interest, and miscellaneous, net)  
Year Ended September 30, 2020**

|  | <u>Marketing</u>    | <u>Administration</u> | <u>Purchased<br/>Medical<br/>Services</u> | <u>Golf<br/>Course</u> | <u>Totals</u>        |
|--|---------------------|-----------------------|---|------------------------|----------------------|
| Salaries and wages                         | \$ 849,212          | \$ 5,146,587          | \$ -                                      | \$ 394,904             | \$ 29,686,392        |
| Payroll taxes and employee benefits        | 99,732              | 3,750,399             | -   | 37,518                 | 6,124,428            |
| Supplies                                   | 5,953               | 684,256               | 111,465                                   | 24,278                 | 2,689,134            |
| Contracted outside services                | -                   | 1,173,158             | -   | 70,931                 | 1,563,318            |
| Raw food and nourishments                  | -                   | -                     | -   | -                      | 3,683,309            |
| Repairs and maintenance, equipment         | 1,621               | 82,963                | -   | 14,874                 | 317,565              |
| Repairs and maintenance, buildings         | -                   | 565                   | -   | -                      | 1,025,841            |
| Repairs and maintenance, grounds           | -                   | 3,115                 | -   | 228,740                | 364,091              |
| Gas  | -                   | 272                   | -   | -                      | 183,674              |
| Electricity                                | -                   | 9,366                 | -   | 2,433                  | 1,273,218            |
| Water                                      | -                   | 1,784                 | -   | -                      | 574,031              |
| Telephone                                  | 1,922               | 89,247                | -   | 626                    | 120,651              |
| Dues and subscriptions                     | 5,285               | 84,030                | -   | 625                    | 124,260              |
| Insurance, general                         | -                   | 895,805               | -   | -                      | 899,956              |
| Printing                                   | 111,650             | 18,594                | -   | -                      | 166,269              |
| Promotions                                 | 199,270             | 13,002                | -   | -                      | 212,315              |
| Postage                                    | 36,288              | 18,488                | -   | -                      | 57,371               |
| Legal and accounting                       | -                   | 105,060               | -   | -                      | 121,836              |
| Consultant's fees                          | 144,113             | 96,821                | -   | -                      | 494,088              |
| Travel and seminars                        | 1,812               | 72,887                | -   | 4,201                  | 168,305              |
| Employee recruitment and retention         | -                   | 226,266               | -   | -                      | 228,114              |
| Meetings and special events                | 28,484              | 40,165                | -   | -                      | 64,700               |
| Purchased medical                          | -                   | -                     | 2,177,873                                 | -                      | 2,233,627            |
| Outside services                           | 6,790               | 42,249                | -   | 223,487                | 1,104,049            |
| Rent, buildings and equipment              | -                   | 126,554               | -   | -                      | 126,554              |
| Reimbursed foundation expenses             | -                   | 162,469               | -   | -                      | 164,125              |
| Miscellaneous                              | 100                 | 90,234                | -   | 110                    | 110,376              |
| Changes in net assets without restrictions | <u>\$ 1,492,232</u> | <u>\$ 12,934,336</u>  | <u>\$ 2,289,338</u>                       | <u>\$ 1,002,727</u>    | <u>\$ 53,881,597</u> |

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Combined Statements of Cash Flows**  
**Years Ended September 30, 2021 and 2020**

|  | <u>2021</u>          | <u>2020</u>          |
|--|----------------------|----------------------|
| Cash flows from operating activities:  |                      |                      |
| Changes in net assets  | \$ 38,384,842        | \$ 10,460,436        |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: |                      |                      |
| Entrance fees received   | 12,615,737           | 15,352,031           |
| Entrance fees received - initial units   | 896,500              | 19,042,250           |
| Amortization of entrance fees  | (13,007,865)         | (12,097,764)         |
| Debt forgiveness - deferred CARES funds  | (1,462,435)          | -                    |
| Depreciation and amortization  | 9,094,351            | 8,555,964            |
| Change in fair value of interest rate swap agreement   | (3,803,519)          | 7,305,996            |
| Realized and unrealized gains on investments and investment income                           | (11,839,104)         | (1,935,458)          |
| Net realized investment income   | (12,995,730)         | (5,022,795)          |
| Investment in perpetual endowment  | (463,505)            | (402,288)            |
| Changes in working capital components:   |                      |                      |
| (Increase) decrease in:  |                      |                      |
| Trade and other receivables  | (555,953)            | (303,187)            |
| Other assets   | (343,474)            | (276,425)            |
| Increase (decrease) in:  |                      |                      |
| Accounts payable and accrued expenses  | 3,140,601            | (4,778,372)          |
| Net cash provided by operating activities  | <u>19,660,446</u>    | <u>35,900,388</u>    |
| Cash flows from investing activities:  |                      |                      |
| Purchases of property and equipment  | (49,092,779)         | (27,234,064)         |
| Payments of issuance costs   | (1,690,626)          | (154,110)            |
| Redemption of investments, net of proceeds   | (81,425,800)         | 707,534              |
| Net cash used in investing activities  | <u>(132,209,205)</u> | <u>(26,680,640)</u>  |
| Cash flows from financing activities:  |                      |                      |
| Investment in perpetual endowment  | 463,505              | 402,288              |
| Proceeds from issuance of long-term debt   | 108,487,119          | 25,133,148           |
| Principal payments of long-term debt   | (8,307,418)          | (27,457,016)         |
| Refunds of refundable fees   | (2,610,731)          | (1,331,808)          |
| Net cash provided by (used in) financing activities  | <u>98,032,475</u>    | <u>(3,253,388)</u>   |
| Net increase (decrease) in cash and cash equivalents   | (14,516,284)         | 5,966,360            |
| Cash and cash equivalents, beginning   | <u>38,183,511</u>    | <u>32,217,151</u>    |
| Cash and cash equivalents, ending  | <u>\$ 23,667,227</u> | <u>\$ 38,183,511</u> |
| Supplemental disclosures of cash flow information:   |                      |                      |
| Cash payments for interest   | <u>\$ 4,064,363</u>  | <u>\$ 3,312,206</u>  |

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Notes to the Combined Financial Statements**

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities and Control**

The Presbyterian Homes, Inc. and Glenaire, Inc. (collectively the "Communities") provide housing, health care and other related services to residents. The Presbyterian Homes, Inc. operates as River Landing at Sandy Ridge in Colfax, North Carolina; and as Scotia Village in Laurinburg, North Carolina. Glenaire, Inc. operates in Cary, North Carolina. The Presbyterian Homes Foundation, Inc. (the "Foundation") is a foundation established to raise funds for support and the future needs of the Communities. PHI Management Services LLC was formed to provide management services to continuing care retirement communities which are not affiliated with The Presbyterian Homes, Inc. The Communities, the Foundation, and PHI Management Services LLC are collectively referred to as the "Organization".

The Boards of Trustees of Glenaire, Inc. and The Presbyterian Homes Foundation, Inc. are appointed by and serve at the pleasure of the Board of Governors of The Presbyterian Homes, Inc.

A summary of the Organization's significant accounting policies is as follows:

**Principles of Combination**

The accompanying combined financial statements include the accounts of the above-named entities. All material related-party balances and transactions have been eliminated in the combination.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Organization excludes from cash and cash equivalents assets limited as to use.

**Assets Limited As To Use**

Assets limited as to use include assets held by trustees under an indenture agreement; assets which must be held in perpetuity under endowment agreements; unconditional promises to give restricted for purchase of property and equipment, repayment of debt, or financial assistance; assets held as deposits; and the operating reserve required by state statute.

**Investments and Fair Value**

Investments in all debt and equity securities with a readily determinable market value are measured at fair value. The fair values of mutual funds and equity securities are determined based on quoted net asset values and share prices, respectively. The fair value of debt securities are based on quoted market prices. Changes in fair value of investments, including both realized and unrealized gains and losses, are included in the accompanying combined statements of operations and changes in net assets. In determining realized gains and losses, the cost of investments is determined using the first-in, first-out method. Donated investments are stated at fair value at the date of the gift. Unrealized gains and losses on investments, except those determined to be other than temporarily impaired, are excluded from excess of revenue over expenses. Any other than temporary declines are accounted for as a nonoperating loss, whereby the historical cost of the related investment would be adjusted to the then-current fair market value.

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Notes to the Combined Financial Statements**

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Accounts Receivable**

The Communities record accounts receivable at the total unpaid balance which approximates estimated fair value. The Communities determine past-due status on individual accounts based on the billing dates. The Communities estimate their allowance for doubtful accounts based on a combination of factors, including the past historical loss experience and any anticipated effects related to current economic conditions, as well as 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.

**Property and Equipment**

Property and equipment are stated at cost or at estimated fair value at the date of donation. Depreciation is determined principally by the straight-line method over the estimated useful lives of the assets, ranging from 3 to 40 years. It is the policy of the Communities to review long-lived assets and intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

**Paid Annual Leave**

After an employee has worked at the Communities for 90 days, they begin to earn paid annual leave ("PAL") time. PAL time may be earned by regular-time employees who work at least 60 hours per pay period. For the first three years of employment, employees may earn up to 23 days of PAL each year, after three years and through five years employees may earn 26 days of PAL each year, and after five years employees may earn 31 days annually. Employees are required to use at least 15 days of PAL each year, with the remaining unused PAL being put into a reserve. Up to 60 days can be accumulated in the reserve. Remaining unused current and reserve PAL is paid to an employee upon proper resignation, retirement or illness. The first 30 days of an employee's PAL reserve can only be used for an extended illness or an employee hardship withdrawal. The second 30 days of an employee's PAL reserve can be used as the employee desires.

At September 30, 2021 and 2020, the total liability for PAL was \$2,404,931 and \$2,260,006, respectively, and is recorded as other accrued expense. Of this amount, \$711,582 and \$708,851 is shown as a current liability as of September 30, 2021 and 2020, respectively. The current amount is the amount of PAL that management estimates will be paid out in the next year.

**Deferred Financing Costs**

Financing costs relative to the permanent financing of the facilities have been deferred and are being amortized using the effective interest method to bond and note interest and amortization on the combined statements of operations and changes in net assets over the terms of the loans. During 2021 and 2020, amortization expense for deferred financing costs was \$200,818 and \$124,623, respectively.



**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Notes to the Combined Financial Statements**

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Deferred Financing Costs (Continued)**

The following is a schedule by years of the aggregate amortization amounts:

| <u>Years Ending<br/>September 30,</u> |                     |
|---------------------------------------|---------------------|
| 2022                                  | \$ 190,072          |
| 2023                                  | 178,895             |
| 2024                                  | 167,486             |
| 2025                                  | 155,836             |
| 2026                                  | 144,135             |
| Thereafter                            | <u>1,520,434</u>    |
|                                       | <u>\$ 2,356,858</u> |

**Bond Premiums and Discounts**

Bond premiums and discounts are being amortized to bond and note interest, and amortization on the combined statements of operations and changes in net assets over the terms of the loans. During 2021 and 2020, the net amortization expense for bond discounts was \$943,909 and \$311,760, respectively.

The following is a schedule by years of the aggregate amortization:

| <u>Years Ending<br/>September 30,</u> |                      |
|---------------------------------------|----------------------|
| 2022                                  | \$ 935,120           |
| 2023                                  | 926,437              |
| 2024                                  | 917,863              |
| 2025                                  | 909,393              |
| 2026                                  | 901,028              |
| Thereafter                            | <u>10,202,763</u>    |
|                                       | <u>\$ 14,792,604</u> |

**Interest Rate Swap Agreement**

The Organization uses derivatives to manage risks related to interest rate movements. The Organization's interest rate risk strategy is to pay-fixed and receive-variable interest rate swaps. The combination of these swaps and variable-rate bonds creates synthetic fixed-rate debt. The use of synthetic fixed-rate debt has the ability to lower the Organization's borrowing costs associated with the issuance of traditional fixed-rate bonds. The Organization's interest rate swap agreements have not been designated as hedging transactions and are reported at fair value.

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Notes to the Combined Financial Statements**

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Classification of Net Assets**

The following classification of net assets is presented in the accompanying combined financial statements:

*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 donor restricted net assets. 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.

*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 in net assets without donor restrictions.

**Changes in Assets Without Restrictions**

The combined statements of operations and changes in net assets reflect operating income. Changes in net assets without restrictions that are excluded from operating income, consistent with industry practice, include realized gains and losses on investments, changes in unrealized gains and losses on investments, investment income, income from estates, wills, trusts and bequests, and contributions.

**Revenue Recognition**

The Organization 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 are recognized as deferred revenue upon receipt of the payment under the life care contract and are included in liabilities in the statements of financial position 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 statements of financial position.

*Health care services:* The Organization also provides assisted and nursing care to residents who are covered by government and commercial payers. The Organization 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 3rd 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 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 non-routine or additional services are billed monthly in arrears and recognized when the service is provided.

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Notes to the Combined Financial Statements**

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Income Tax Status**

The Presbyterian Homes, Inc. and Glenaire, Inc. are nonprofit organizations exempt from income taxes under Internal Revenue Code Section 501(c)(3), and The Presbyterian Homes Foundation, Inc. is an organization exempt from income taxes under Internal Revenue Code Section 501(a). The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of September 30, 2021.

It is the Organization's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a more-likely-than-not threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the combined financial statements. No material uncertain tax positions were identified for 2021 and 2020.

**Resident Fees**

Resident fees represent the estimated net realizable amounts from residents, third-party payors, and others for services rendered. Resident fees are recorded as revenue when earned.

**Obligation to Provide Future Services**

The Communities annually calculate the present value of the net cost of future services and use of facilities to be provided to current residents, and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. At September 30, 2021 and 2020, deferred revenue from entrance fees exceeded the present value of the net cost of future services and use of facilities, thus no obligation is recorded.

**Estimated Third-Party Payor Settlements**

The Communities have agreements with third-party payors that provide for payments to the Communities at amounts different from their established rates. Payment arrangements include prospectively determined per diem payments. Revenue under third-party payor agreements is subject to audit and retroactive adjustments. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

**Entrance Fees**

Entrance fees are amortized into revenue on a straight-line basis, based on the actuarially determined remaining life expectancy of the resident. This actuarially determined remaining life expectancy of the resident is adjusted annually. The unamortized portion of the fee is shown on the combined statements of financial position as deferred revenue.

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Notes to the Combined Financial Statements**

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Property Tax Exemption**

During 2001, the state of North Carolina passed legislation which provided a property tax exemption for continuing care retirement communities (CCRCs) that expend 5% or more of their operating revenues on benevolent assistance and community service or CCRCs that have financed their facilities with tax-exempt bond financing. Partial exemptions are available for CCRCs which provide some benevolent assistance and community service and CCRCs that have facilities which are partially financed with tax-exempt bond financing. The property tax exemption must be requested each year. Based on the combination of the partial exemptions described above, Management believes that it will qualify for a full property tax exemption.

**Benevolent Assistance**

The Communities have a policy of providing benevolent assistance to residents who are unable to pay. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis. Since the Communities do not expect to collect the normal charges for services provided, estimated charges for benevolent assistance are not included in revenue. Costs associated with services provided were approximately \$3,134,000 and \$2,847,000 for the years ended September 30, 2021 and 2020, respectively.

**Social Accountability**

The Communities provide building space to several religious and charitable organizations and a pharmacy school rent free, and a reduced rental rate to a childcare center. The dollar amount of space provided based upon local fair market value rental rates is approximately \$137,000 and \$362,000 for the years ended September 30, 2021 and 2020, respectively. The Communities also provide numerous charity benefits which include donated volunteer services in the amounts of approximately \$580,000 and \$219,000 for the years ended September 30, 2021 and 2020, respectively. These contribution amounts are not reflected in the combined statements of operations and changes in net assets.

**Fair Value of Financial Instruments**

The carrying amounts of cash and cash equivalents, receivables and other assets approximate fair value. Investments are reported at fair value as of the date of the combined financial statements. The carrying amount of accounts payable, accrued expenses and other liabilities approximate fair value. The interest rate swap agreement is reported at fair value as of the date of the combined financial statements. Fixed-rate long-term debt is carried at cost net of any unamortized premiums or discounts. The fair value of the fixed-rate long-term debt is approximately \$4,715,000 greater than the carrying value.

**Use of Estimates**

The preparation of combined financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Notes to the Combined Financial Statements**

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Subsequent Events**

The Organization evaluated the effect of subsequent events through January 14, 2022, which is the date the combined financial statements were available to be issued.

NOTE B - INVESTMENTS

Investments are carried at fair value and consist of the following at September 30, 2021 and 2020:

|   | <u>2021</u>           | <u>2020</u>          |
|---|-----------------------|----------------------|
| Investments:  |                       |                      |
| Mutual funds:                                       |                       |                      |
| Equity funds  | \$ 13,622,422         | \$ 7,280,398         |
| Fixed-income funds                                  | 34,127,213            | 28,472,383           |
| Tangible assets                                     | 3,011,277             | 2,188,240            |
| Equity securities                                   | <u>96,810,810</u>     | <u>70,561,123</u>    |
|   | 147,571,722           | 108,502,144          |
| Less assets classified as assets limited as to use: |                       |                      |
| Operating reserves required by state statute        | <u>17,127,000</u>     | 15,224,883           |
|   | <u>\$ 130,444,722</u> | <u>\$ 93,277,261</u> |
| Investments included in assets limited as to use:   |                       |                      |
| Under bond agreement:                               |                       |                      |
| Government and corporate bonds                      | \$ 54,816,038         | \$ -                 |
| Cash and cash equivalents                           | <u>13,232,830</u>     | <u>1,305,532</u>     |
|   | 68,048,868            | 1,305,532            |
| Less assets limited as to use:                      |                       |                      |
| Required for current liabilities                    | <u>1,208,679</u>      | 1,296,391            |
|   | <u>\$ 66,840,189</u>  | <u>\$ 9,141</u>      |
| Permanent endowment funds:                          |                       |                      |
| Equity funds  | \$ 995,788            | \$ 810,732           |
| Fixed-income funds                                  | 753,788               | 783,716              |
| Tangible assets                                     | 72,729                | 61,916               |
| Equity securities                                   | <u>2,299,060</u>      | <u>1,996,907</u>     |
|   | <u>\$ 4,121,365</u>   | <u>\$ 3,653,271</u>  |

Net realized investment income consists of \$10,379,769 and \$1,891,932 of realized gains, and \$2,823,977 and \$3,133,161 of interest and dividends for the years ended September 30, 2021 and 2020, respectively.

The Organization's investments potentially subject it to concentrations of credit risk. The Organization 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.

## THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES

### Notes to the Combined Financial Statements

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#### NOTE B - INVESTMENTS (Continued)

However, as most of the Organization's investments are traded in public markets, they are subject to general fluctuations in the market's overall performance. The Organization retains investment managers who perform periodic evaluations of the relative credit standing of the companies and financial institutions in which the Organization invests. Management believes they employ an investment strategy which does not subject itself to an abnormal amount of risk compared to general market conditions.

#### Charitable Remainder Trust

One donor has established a charitable remainder trust naming Presbyterian Home of High Point Foundation, Inc., which is now known as The Presbyterian Homes Foundation, Inc., as the beneficiary of the trust. The trust provides for the payment of distributions to the foundation until the year 2021, at which point the trust will be dissolved and all proceeds become the property of Presbyterian Home of High Point Foundation, Inc. Assets held in the trust are carried at fair market value and totaled \$1,185,183 and \$1,008,826 at September 30, 2021 and 2020, respectively.

#### NOTE C - PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

|                                 | <u>2021</u>           | <u>2020</u>           |
|---------------------------------|-----------------------|-----------------------|
| Land                            | \$ 17,863,817         | \$ 17,840,516         |
| Land improvements               | 4,450,501             | 4,106,442             |
| Buildings                       | 301,792,391           | 275,454,706           |
| Equipment, furniture, and other | 14,697,074            | 12,789,253            |
| Construction-in-progress        | 52,574,155            | 32,094,242            |
|                                 | <u>\$ 391,377,938</u> | <u>\$ 342,285,159</u> |

#### NOTE D - LONG-TERM DEBT

Long-term debt as of September 30, 2021 and 2020 consists of the following:

|   | <u>2021</u>         | <u>2020</u>         |
|---|---------------------|---------------------|
| North Carolina Medical Care Commission Series 2015 first revenue refunding bonds at a fixed rate of 3.42% per annum due July 1, 2031.   | <u>\$ 7,093,564</u> | <u>\$ 8,697,734</u> |
| North Carolina Medical Care Commission Series 2016A first mortgage revenue bonds at a variable rate of 68% of one-month LIBOR plus 0.9875% per annum due April 1, 2027 swapped to a fixed rate of 2.395%. | <u>11,029,850</u>   | <u>12,890,302</u>   |
| North Carolina Medical Care Commission Series 2016B tax-exempt bonds at a variable rate of 68% of one-month LIBOR plus 0.8690% per annum due October 1, 2027 swapped to a fixed rate of 2.176%.           | <u>34,022,728</u>   | <u>37,169,385</u>   |

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Notes to the Combined Financial Statements**

NOTE D - LONG-TERM DEBT (Continued)

Long-term debt as of September 30, 2021 and 2020 consists of the following:

|  | <u>2021</u>           | <u>2020</u>           |
|--|-----------------------|-----------------------|
| North Carolina Medical Care Commission Series 2016C tax-exempt bonds with the following maturities and rates:  |                       |                       |
| Term bonds at 4% due October 1, 2031 priced to yield   | \$ 10,000,000         | \$ 10,000,000         |
| Term bonds at 5% due October 1, 2031 priced to yield   | 15,770,000            | 15,770,000            |
| Term bonds at 3% due October 1, 2036 priced to yield   | 1,000,000             | 1,000,000             |
| Term bonds at 5% due October 1, 2036 priced to yield   | 2,450,000             | 2,450,000             |
|  | <u>29,220,000</u>     | <u>29,220,000</u>     |
| North Carolina Medical Care Commission Series 2020A tax-exempt bonds with the following maturities and rates:  |                       |                       |
| Serial bonds at 4% due October 1, 2031 priced to yield 1.60%.  | 5,345,000             | -                     |
| Term bonds at 4% due October 1, 2035 priced to yield 2.47%.  | 3,820,000             | -                     |
| Term bonds at 4% due October 1, 2040 priced to yield 3.03%.  | 7,000,000             | -                     |
| Term bonds at 5% due October 1, 2040 priced to yield 2.73%.  | 14,950,000            | -                     |
| Term bonds at 4% due October 1, 2045 priced to yield 3.23%.  | 10,000,000            | -                     |
| Term bonds at 5% due October 1, 2045 priced to yield 2.93%.  | 18,670,000            | -                     |
| Term bonds at 4% due October 1, 2050 priced to yield 3.33%.  | 10,000,000            | -                     |
| Term bonds at 5% due October 1, 2050 priced to yield 3.03%.  | 26,250,000            | -                     |
|  | <u>96,035,000</u>     | <u>-</u>              |
| North Carolina Medical Care Commission Series 2020B tax-exempt bonds at a variable rate of 79% of one-month LIBOR plus 1.0665% per annum due October 1, 2025.  | <u>50,002</u>         | <u>-</u>              |
| Total North Carolina Medical Care Commission non-taxable bonds   | <u>177,451,144</u>    | <u>87,977,421</u>     |
| Construction loan of \$34,574,000 payable to a bank, with interest only payments through July 1, 2020, and interest and principle payments beginning on August 1, 2020 through maturity on July 1, 2035. The loan was drawn down as spent from the date of issuance on June 28, 2018. The Organization entered into a forward rate swap agreement on June 28, 2018, effective July 1, 2020 at a rate of 4.152% through July 1, 2035. | 32,458,424            | 34,154,565            |
|  | <u>209,909,568</u>    | <u>122,131,986</u>    |
| Less unamortized deferred financing costs  | 2,356,858             | 867,049               |
| Less unamortized bond premium  | (14,792,604)          | (3,334,392)           |
| Less current maturities  | 9,634,122             | 7,927,828             |
|  | <u>\$ 212,711,192</u> | <u>\$ 116,671,501</u> |

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Notes to the Combined Financial Statements**

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NOTE D - LONG-TERM DEBT (Continued)

The following is a schedule by years of the aggregate maturities of long-term debt:

| <u>Years Ending September 30,</u> |                       |
|-----------------------------------|-----------------------|
| 2022                              | \$ 9,634,122          |
| 2023                              | 10,087,115            |
| 2024                              | 10,265,518            |
| 2025                              | 10,503,361            |
| 2026                              | 10,602,755            |
| Thereafter                        | 158,816,697           |
|                                   | <u>\$ 209,909,568</u> |

The following is a discussion of significant terms and conditions regarding the North Carolina Medical Care Commission (the "Commission") tax-exempt bonds:

On July 15, 2015, The Presbyterian Homes, Inc. entered into a Loan and Security agreement with the NCMCC pursuant to a \$14,712,108 First Mortgage Revenue Refunding Bond, Series 2015, to refinance the remaining Series 2005 and Series 2010 existing indebtedness of The Presbyterian Homes, Inc. This is a single bond which was purchased by BB&T Bank. Proceeds from this offering have been used to pay the expenses incurred in connection with the issuance of the bonds.

On April 1, 2016, The Presbyterian Homes, Inc. entered into a Loan and Security agreement with the NCMCC pursuant to a \$20,000,000 First Mortgage Revenue Bond, Series 2016A, to finance capital projects. Proceeds from this offering have been used to fund a construction reserve to pay costs related to capital improvements at the Communities, and to pay the expenses incurred in connection with the issuance of the bonds.

On September 29, 2016, The Presbyterian Homes, Inc. entered into a Loan and Security agreement with the NCMCC pursuant to a \$48,690,837 First Mortgage Revenue Refunding Bond, Series 2016B, to refinance part of the Series 2006A existing indebtedness of The Presbyterian Homes, Inc. This is a single bond which was purchased by BB&T Bank. Proceeds from this offering will be used to fund a debt service reserve fund for the bonds and to pay the expenses incurred in connection with the bonds.

On September 29, 2016, The Presbyterian Homes, Inc. entered into a Loan and Security agreement with the NCMCC pursuant to a \$29,220,000 bond offering, Series 2016C, to refinance the remaining Series 2006A and the Series 2006B existing indebtedness of The Presbyterian Homes, Inc. A portion of the proceeds from this offering have been used to pay a portion of the bond maturities due October 1, 2016, and to pay the expenses incurred in connection with the issuance of the bonds.

On October 1, 2020, The Presbyterian Homes, Inc. entered into Loan and Security agreements with the NCMCC pursuant to a \$96,035,000 First Mortgage Revenue Bond, Series 2020A, and a \$80,000,000 First Mortgage Revenue Bond, Series 2020B, to finance capital projects, maturing October 1, 2055 and October 1, 2025, respectively. Proceeds from these offerings have been used to fund a construction reserve to pay costs related to capital improvements at the Communities, and to pay the expenses incurred in connection with the issuance of the bonds.



**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Notes to the Combined Financial Statements**

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NOTE D - LONG-TERM DEBT (Continued)

The loan agreements contain certain required deposits, payments and covenants, which include limitations on liens, incurrence of additional indebtedness, certain long-term debt service coverage ratios, occupancy percentages, property transfer restrictions, limitations on use to finance operating deficits, and various other covenants and restrictions. All such required deposits are shown as assets limited as to use under bond agreement and are pledged on the loans.

Security for the bonds consists of a pledge and assignment to the trustee of all rights, title and interest in and to The Presbyterian Homes, Inc., Glenaire, Inc., and The Presbyterian Homes Foundation Inc.'s ("Obligated Group") promissory notes with the Commission, dated July 15, 2015, April 1, 2016 and September 29, 2016, which evidences the Obligated Group's obligation to repay the NCMCC.

In addition, the Commission assigned to the Trustee its rights as beneficiary under the Obligated Group's pledged assets consisting of gross receipts, accounts, equipment, general intangibles, inventory, documents, instruments and assigns its rights as secured party with respect to its security interest.

The Series 2016 bonds, maturing on or after October 1, 2024, 2025 and 2026, are subject to redemption by the Commission, at the direction of the Obligated Group, at an option of 102%, 101% and 100% of par value, respectively. Additionally, the terms of bonds maturing in 2031 and 2036 are subject to mandatory redemption without premium beginning in 2028 and 2032, respectively.

On June 28, 2018, The Presbyterian Homes, Inc. entered into a credit agreement with Branch Banking and Trust Company to finance the expansion and a renovation to the Wellness Center and Healthcare Center at River Landing at Sandy Ridge. The Entrance Fee Project loan, in the amount of \$20,426,000, will be used to finance a portion of the construction of 58 independent living units. The Construction Project Loan, in the amount of \$34,574,000, will be used to finance the costs of various expansion projects including a maintenance/transportation building; a clubhouse with dining facilities, meeting space, and a golf pro-shop; an expansion of the existing wellness space; and renovation of the existing healthcare center to convert the physical layout and spaces to the household model.

To reduce the impact of changes in interest rates on its variable rate bonds payable, the Organization entered into interest rate swap agreements for the 2016 bonds. Under these agreements, interest is payable at a fixed rate of 1.307%-4.152% based on the outstanding balance of the related bonds and is effective through April 1, 2027-July 1, 2035. The annual gain or loss on the fair value of the swap agreements are reported as revenue or expense in the combined statement of activities and changes in net assets. The interest rate swap agreements have a combined notional principal amount of \$77,656,947 and a fair value of \$5,016,998 at September 30, 2021, which is recorded as a liability on the combined statements of financial position. The fair value of these interest swap agreements were derived from proprietary models as of a given date, supplied by the swap advisor. The valuation is calculated on a mid market basis and does not include bid/offered spread that would be reflected in an actual price quotation. This model relies on certain assumptions regarding past, present and future market conditions.

## THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES

### Notes to the Combined Financial Statements

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#### NOTE E - REFUNDABLE FEES

The Presbyterian Homes, Inc. offers three alternative entrance fee plans which provide refunds to residents from re-occupancy proceeds. Under the standard entrance fee option, prior to 48 months of occupancy, the resident would receive a refund equal to the entrance fee, less 2% per month of occupancy less a 4% non-refundable fee. The 50% refundable plan offers the resident a refund equal to 50% of the entrance fee after 23 months of occupancy. Prior to 23 months of occupancy, the resident is entitled to a refund of the entrance fee, less 2% per month of occupancy, less a 4% non-refundable fee. The 90% refundable plan offers the resident a refund equal to 90% of the entrance fee after 6 months of occupancy. Prior to 6 months of occupancy, the resident is entitled to a refund of the entrance fee, less 1% per month of occupancy, less a 4% non-refundable fee. The estimated amount of entrance fee that is expected to be refunded to current residents is shown on the combined statements of financial position as refundable fees. This amount is estimated using an average of the last eight years' refunds. The total amount of contractual refund obligations under existing contracts totaled approximately \$42,097,000 and \$48,853,000 at September 30, 2021 and 2020, respectively, and is included in deferred revenue from entrance fees, net of the estimated amount to be refunded to current residents, on the combined statements of financial position.

#### NOTE F - NET ASSETS

Net assets without donor restrictions contain \$37,789,138 and \$26,814,311 in board-designated amounts at September 30, 2021 and 2020, respectively. Of these amounts, \$78,631 and \$80,131 is designated for special maintenance projects as of September 30, 2021 and 2020, respectively. The remaining portion relates to resident assistance in the amount of \$37,710,507 and \$26,734,180 as of September 30, 2021 and 2020, respectively.

Net assets with donor restrictions are restricted for the following purposes or periods:

|  | <u>2021</u>      | <u>2020</u>      |
|--|------------------|------------------|
| Subject to expenditures for specified purposes or passage of time:   |                  |                  |
| Principal amount:  |                  |                  |
| Special maintenance project  | \$ 679,316       | \$ 428,206       |
| Resident assistance  | 3,647            | -                |
| Any activities of the Organization   | <u>1,301,743</u> | <u>1,147,927</u> |
|  | 1,984,706        | 1,576,133        |
| Investment activity:   |                  |                  |
| Net unrealized appreciation of investments whose income is restricted for resident assistance and special maintenance projects | 1,064,209        | 442,872          |
| Undistributed realized appreciation of investments whose income is restricted as to purpose including dividends interest       | <u>2,596,664</u> | <u>2,066,040</u> |
|  | 5,645,579        | 4,085,045        |

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Notes to the Combined Financial Statements**

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NOTE F - NET ASSETS (Continued)

Net assets with donor restrictions are restricted for the following purposes or periods (Continued):

|   | <u>2021</u>          | <u>2020</u>         |
|---|----------------------|---------------------|
| Subject to the Organization's spending policy and appropriation to support: |                      |                     |
| Resident subsidies  | \$ 3,439,245         | \$ 3,013,547        |
| Maintenance of rose garden  | 45,342               | 45,252              |
| Healthcare equipment  | 29,588               | 29,588              |
| Employee scholarship  | 617,590              | 563,781             |
| Any activities of the Organization  | 240,156              | 240,156             |
|   | <u>4,371,921</u>     | <u>3,892,324</u>    |
|   | <u>\$ 10,017,500</u> | <u>\$ 7,977,369</u> |

Under the terms of the initial contributions that were used to establish endowments, the Investment Committee of the Board of Governors may buy, sell or otherwise change investments, but the principal from any sales is required to be reinvested.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

| Purpose restrictions accomplished: | <u>2021</u>       | <u>2020</u>         |
|------------------------------------|-------------------|---------------------|
| Special maintenance expenses       | \$ 507,200        | \$ 1,376,743        |
| Resident assistance                | 140,328           | 151,638             |
| Release of assets by trustee       | 45,000            | 45,050              |
|                                    | <u>\$ 692,528</u> | <u>\$ 1,573,431</u> |

NOTE G - ENDOWMENTS

The Communities' and Foundation's endowments (the "endowments") consist of approximately nine individual funds established for a variety of purposes. The endowments include both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The portion of the donor restricted endowment fund that is above the original gift amount is appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Notes to the Combined Financial Statements**

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NOTE G - ENDOWMENTS (Continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies.* The Organization has adopted investment policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return.

Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

*Spending Policy.* The Organization has developed a spending policy for its endowment funds, which appropriates for distribution 3.5% - 4.0% of its invested funds based on the average market value of the trailing twelve quarters at June 30 each year. The intent of using a 12-quarter average is to minimize the likelihood of the principal of the fund being invaded. Any unspent distributable amounts remaining at the end of the fiscal year, which have not been granted or distributed, will be available for expenditure in the following fiscal year. However, in no year should more than 6% be distributed without Board approval.

Endowment net assets composition by type of fund as of September 30, 2021 are as follows:

|  | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | Total Net<br>Endowment<br>Assets |
|--|----------------------------------|----------------------------|----------------------------------|
| Board-designated endowment funds   | <u>\$ 37,789,137</u>             | \$ -                       | <u>\$ 37,789,137</u>             |
| Donor-restricted endowment funds:  |                                  |                            |                                  |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | -                                | 4,371,921                  | 4,371,921                        |
| Accumulated investment gains   | 740,566                          | 4,962,616                  | 5,703,182                        |
|  | <u>\$ 38,529,703</u>             | <u>\$ 9,334,537</u>        | <u>\$ 47,864,240</u>             |

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Notes to the Combined Financial Statements**

NOTE G - ENDOWMENTS (Continued)

Changes in endowment net assets as of September 30, 2021 are as follows:

|                                 | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | Total Net<br>Endowment<br>Assets |
|---------------------------------|----------------------------------|----------------------------|----------------------------------|
| Endowment net assets, beginning | \$ 27,371,969                    | \$ 7,567,787               | \$ 34,939,756                    |
| Contributions                   | 276,695                          | 479,596                    | 756,291                          |
| Investment income               | 4,051,150                        | 820,059                    | 4,871,209                        |
| Net appreciation                | 3,050,854                        | 492,561                    | 3,543,415                        |
| Transferred                     | 5,018,148                        | 178,977                    | 5,197,125                        |
| Appropriated                    | (1,239,113)                      | (204,443)                  | (1,443,556)                      |
| Endowment net assets, ending    | <u>\$ 38,529,703</u>             | <u>\$ 9,334,537</u>        | <u>\$ 47,864,240</u>             |

Endowment net assets composition by type of fund as of September 30, 2020 are as follows:

|  | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | Total Net<br>Endowment<br>Assets |
|--|----------------------------------|----------------------------|----------------------------------|
| Board-designated endowment funds   | \$ 26,795,688                    | \$ -                       | \$ 26,795,688                    |
| Donor-restricted endowment funds:  |                                  |                            |                                  |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | -                                | 3,892,324                  | 3,892,324                        |
| Accumulated investment gains   | 576,281                          | 3,675,463                  | 4,251,744                        |
|  | <u>\$ 27,371,969</u>             | <u>\$ 7,567,787</u>        | <u>\$ 34,939,756</u>             |

Changes in endowment net assets as of September 30, 2020 are as follows:

|                                 | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | Total Net<br>Endowment<br>Assets |
|---------------------------------|----------------------------------|----------------------------|----------------------------------|
| Endowment net assets, beginning | \$ 26,692,134                    | \$ 6,928,359               | \$ 33,620,493                    |
| Contributions                   | 52,880                           | 386,288                    | 439,168                          |
| Investment income               | 1,230,425                        | 254,371                    | 1,484,796                        |
| Net depreciation                | 396,143                          | 169,491                    | 565,634                          |
| Appropriated                    | (999,612)                        | (170,723)                  | (1,170,335)                      |
| Endowment net assets, ending    | <u>\$ 27,371,970</u>             | <u>\$ 7,567,786</u>        | <u>\$ 34,939,756</u>             |

## THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES

### Notes to the Combined Financial Statements

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#### NOTE H - CREDIT RISK

The Organization maintains demand deposits and certificates of deposit with financial institutions and investments in the North Carolina Cash Management Trust. The balances of certain demand deposit accounts at times may exceed the federally insured amount. The Organization has not experienced any loss as a result of these holdings.

In addition to providing services to private pay residents, the Communities also serve residents covered under various third-party payor programs including Medicaid and Medicare programs. As of September 30, 2021 and 2020, approximately 27% and 30%, respectively, of the Communities' unreserved accounts receivable were due from these programs.

#### NOTE I - JOINT VENTURE AGREEMENT

In April 2016, The Presbyterian Homes, Inc. ("PHI") entered into a Joint Venture Agreement with DHIC, Inc. ("DHIC") to form Capital Towers III, LLC, whereby PHI and DHIC will combine their abilities, skills and experience to renovate the Capital Towers I ("CTI") and Capital Towers II ("CTII") communities located in Raleigh, North Carolina and to provide high quality affordable senior housing to benefit the citizens of Wake County. PHI is a guarantor on the construction and renovation of CTI and CTII, up to \$1.9 million, through the date of completion of construction. Renovations and construction were completed in May 2021.

In November 2019, The Presbyterian Homes, Inc. ("PHI") entered into a Joint Venture Agreement with DHIC, Inc. ("DHIC") to develop an affordable housing project, Milner Senior Housing Partners, LLC, for senior adults at the site of the former Milner Memorial Presbyterian Church in Raleigh, North Carolina. At this time the project is in the initial development stage with expenses shared equally by each party. On December 3, 2019, Milner Senior Housing Partners, LLC entered into a ground lease agreement with The Presbytery of New Hope Corporation securing the land for the project.

#### NOTE J - COMMITMENTS

At September 30, 2021, the remaining construction commitments for the Communities are:

| <u>Community/Project:</u>             | <u>Amount</u>         |
|---------------------------------------|-----------------------|
| Glenaire: - 12 Acre Expansion         | \$ 127,388,000        |
| River Landing: - 100 Acre Wood/Bridge | 10,000                |
| Total                                 | <u>\$ 127,398,000</u> |

#### NOTE K - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under Topic 820 - *Fair Value Measurement* are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Notes to the Combined Financial Statements**

NOTE K - FAIR VALUE MEASUREMENTS (Continued)

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets limited as to use measured at fair value. There have been no changes in the methodologies used during the year.

*Common stocks, U.S. government securities and international, corporate and municipal bonds:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Money market funds, mutual funds, and closed end funds:* Valued at the net asset value of shares held by the Organization at year end.

*Charitable gift annuities:* Valued at the net present value of the anticipated residual value of the original charitable gift.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level the fair value hierarchy of the Organization's financial assets and liabilities accounted for at fair value on a recurring basis as of September 30, 2021 and 2020.

|                           | <b>2021</b>           |                       |             |                       |
|---------------------------|-----------------------|-----------------------|-------------|-----------------------|
|                           | Level 1               | Level 2               | Level 3     | Fair Value            |
| Investments:              |                       |                       |             |                       |
| Equity securities:        |                       |                       |             |                       |
| U.S.                      | \$ 85,421,715         | \$ 13,618,117         | \$ -        | \$ 99,039,832         |
| International             | 15,022,067            | -                     | -           | 15,022,067            |
| Fixed-income:             |                       |                       |             |                       |
| Asset-backed              | -                     | 7,171,817             | -           | 7,171,817             |
| Certificates of deposit   | -                     | 2,385,620             | -           | 2,385,620             |
| Corporate bonds           | -                     | 28,073,751            | -           | 28,073,751            |
| Government bonds          | -                     | 54,816,038            | -           | 54,816,038            |
| Cash and cash equivalents | 13,232,830            | -                     | -           | 13,232,830            |
|                           | <u>\$ 113,676,612</u> | <u>\$ 106,065,343</u> | <u>\$ -</u> | <u>\$ 219,741,955</u> |

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Notes to the Combined Financial Statements**

NOTE K - FAIR VALUE MEASUREMENTS (Continued)

|                           | 2020                 |                      |             | Fair Value            |
|---------------------------|----------------------|----------------------|-------------|-----------------------|
|                           | Level 1              | Level 2              | Level 3     |                       |
| Investments:              |                      |                      |             |                       |
| Equity securities:        |                      |                      |             |                       |
| U.S.                      | \$ 63,830,188        | \$ 6,612,877         | \$ -        | \$ 70,443,065         |
| International             | 10,568,667           | -                    | -           | 10,568,667            |
| Fixed-income:             |                      |                      |             |                       |
| Asset-backed              | -                    | 2,250,156            | -           | 2,250,156             |
| Certificates of deposit   | -                    | 236,895              | -           | 236,895               |
| Corporate bonds           | -                    | 28,656,629           | -           | 28,656,629            |
| Cash and cash equivalents | 1,305,535            | -                    | -           | 1,305,535             |
|                           | <u>\$ 75,704,390</u> | <u>\$ 37,756,557</u> | <u>\$ -</u> | <u>\$ 113,460,947</u> |

NOTE L - ASSETS LIQUIDITY

The following reflects the Organization's financial assets as of the combined statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the combined statement of financial position date. Amounts not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the governing board approves that action.

|  |                       |
|--|-----------------------|
| Financial assets, at year end  | \$ 248,138,964        |
| Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions: |                       |
| Restricted by donor with purpose restrictions  | 4,121,365             |
| Assets limited as to use   | 1,209,020             |
| Board designations: Quasi-endowment fund for long-term investing   | <u>38,529,703</u>     |
| Financial assets available to meet cash needs for general expenditures within one year                             | <u>\$ 204,278,876</u> |

The Organization's investments potentially subject it to concentrations of credit risk. The Organization 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 Organization's investments are traded in public markets, they are subject to general fluctuations in the market's overall performance. The Organization retains investment managers who perform periodic evaluations of the relative credit standing of the companies and financial institutions in which the Organization invests.

NOTE M - RETIREMENT PLAN

The Organization offers a 401(k) plan to their employees to promote tax-deferred savings. The plan covers substantially all employees who are age 21 or older. The Organization contributes 100 percent of the first 3 percent, plus 50 percent of the next 2 percent of the participant's contribution to the plan. The Organization's contributions relating to the plan were approximately \$664,000 and \$643,000 in 2021 and 2020, respectively.



**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Notes to the Combined Financial Statements**

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NOTE N - SUBSEQUENT EVENTS

On January 1, 2022, The Presbyterian Homes, Inc. purchased for \$800,000 a 20% investment in Trinity Rehab LLC. The Organization's share of the profits earned by Trinity Rehab LLC will be recognized as income. The Organization also contributed a \$300,000 startup loan to Trinity Rehab LLC.

**SUPPLEMENTARY INFORMATION**



**Independent Auditor's Report  
on the Supplementary Information**

To the Board of Directors  
The Presbyterian Homes, Inc.  
Colfax, North Carolina

We have audited the combined financial statements of The Presbyterian Homes, Inc. and Its Combined Affiliates as of and for the year ended September 30, 2021, and have issued our report thereon dated January 14, 2022, which contained an unmodified opinion on those combined financial statements. Our audit was performed for the purpose of forming an opinion on the combined financial statements as a whole. The combining statement of financial position, property and equipment information, combining statement of operations and changes in net assets, and combining statement of cash flows as of and for the year ended September 30, 2021 are presented for the purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
January 14, 2022

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Combining Statement of Financial Position**  
**September 30, 2021**

|   | Scotia<br>Village    | River<br>Landing      | Management<br>Services<br>Office | The<br>Presbyterian<br>Homes, Inc. | Glennaire,<br>Inc.    | Presbyterian<br>Homes<br>Foundation,<br>Inc. | Obligated<br>Group    | PHI<br>Management<br>Services<br>LLC | Combining<br>Entries | Total                 |
|---|----------------------|-----------------------|----------------------------------|------------------------------------|-----------------------|--|-----------------------|--------------------------------------|----------------------|-----------------------|
| <b>Assets</b>   |                      |                       |                                  |                                    |                       |  |                       |                                      |                      |                       |
| Current Assets:   |                      |                       |                                  |                                    |                       |  |                       |                                      |                      |                       |
| Cash and cash equivalents                                     | \$ 3,346,346         | \$ 5,726,033          | \$ 742,246                       | \$ 9,814,625                       | \$ 10,181,756         | \$ 2,725,074                                 | \$ 22,721,455         | \$ 945,772                           | \$ -                 | \$ 23,667,227         |
| Assets limited as to use, required<br>for current liabilities | 112,994              | 933,083               | -                                | 1,046,077                          | 162,602               | -  | 1,208,679             | -                                    | -                    | 1,208,679             |
| Accounts receivable, net                                      | 327,875              | 375,430               | -                                | 703,305                            | 646,606               | -  | 1,349,911             | -                                    | -                    | 1,349,911             |
| Other receivables   | 335,451              | 1,266,297             | 755,053                          | 2,356,801                          | 942,729               | -  | 3,299,530             | -                                    | -                    | 3,299,530             |
| Unconditional promises to give, net                           | -                    | -                     | -                                | -                                  | -                     | 80,000                                       | 80,000                | -                                    | -                    | 80,000                |
| Other   | 307,879              | 303,982               | 134,068                          | 745,929                            | 252,493               | -  | 998,422               | -                                    | -                    | 998,422               |
| Due from other divisions                                      | 64,086               | 142,702               | 39,060                           | 245,848                            | 313,162               | -  | 559,010               | -                                    | (559,010)            | -                     |
| Total current assets  | <u>4,494,631</u>     | <u>8,747,527</u>      | <u>1,670,427</u>                 | <u>14,912,585</u>                  | <u>12,499,348</u>     | <u>2,805,074</u>                             | <u>30,217,007</u>     | <u>945,772</u>                       | <u>(559,010)</u>     | <u>30,603,769</u>     |
| Assets limited as to use:                                     |                      |                       |                                  |                                    |                       |  |                       |                                      |                      |                       |
| Under bond agreement  | 509                  | 2,310                 | -                                | 2,819                              | 66,837,370            | -  | 66,840,189            | -                                    | -                    | 66,840,189            |
| Reserves required by state statute                            | 3,307,000            | 7,786,000             | -                                | 11,093,000                         | 6,034,000             | -  | 17,127,000            | -                                    | -                    | 17,127,000            |
| By donors for permanent endowment funds                       | -                    | 304,407               | -                                | 304,407                            | -                     | 3,816,958                                    | 4,121,365             | -                                    | -                    | 4,121,365             |
| Residents' cash deposits                                      | 341                  | -                     | -                                | 341                                | -                     | -  | 341                   | -                                    | -                    | 341                   |
|   | <u>3,307,850</u>     | <u>8,092,717</u>      | <u>-</u>                         | <u>11,400,567</u>                  | <u>72,871,370</u>     | <u>3,816,958</u>                             | <u>88,088,895</u>     | <u>-</u>                             | <u>-</u>             | <u>88,088,895</u>     |
| Investments and other assets:                                 |                      |                       |                                  |                                    |                       |  |                       |                                      |                      |                       |
| Investments   | 6,025,495            | 62,231,214            | 20,000                           | 68,276,709                         | 16,980,194            | 45,187,819                                   | 130,444,722           | -                                    | -                    | 130,444,722           |
| Other assets  | 39,627               | 22,778                | -                                | 62,405                             | 34,652                | -  | 97,057                | -                                    | -                    | 97,057                |
|   | <u>6,065,122</u>     | <u>62,253,992</u>     | <u>20,000</u>                    | <u>68,339,114</u>                  | <u>17,014,846</u>     | <u>45,187,819</u>                            | <u>130,541,779</u>    | <u>-</u>                             | <u>-</u>             | <u>130,541,779</u>    |
| Property and Equipment:                                       |                      |                       |                                  |                                    |                       |  |                       |                                      |                      |                       |
| Land, buildings and equipment                                 | 44,830,735           | 185,494,770           | 3,578,694                        | 233,904,199                        | 104,899,584           | -  | 338,803,783           | -                                    | -                    | 338,803,783           |
| Construction-in-progress                                      | 909,004              | 1,077,643             | 2,291                            | 1,988,938                          | 50,585,217            | -  | 52,574,155            | -                                    | -                    | 52,574,155            |
|   | <u>45,739,739</u>    | <u>186,572,413</u>    | <u>3,580,985</u>                 | <u>235,893,137</u>                 | <u>155,484,801</u>    | <u>-</u>                                     | <u>391,377,938</u>    | <u>-</u>                             | <u>-</u>             | <u>391,377,938</u>    |
| Less accumulated depreciation                                 | 21,847,415           | 51,435,671            | 1,859,261                        | 75,142,347                         | 41,704,804            | -  | 116,847,151           | -                                    | -                    | 116,847,151           |
|   | <u>23,892,324</u>    | <u>135,136,742</u>    | <u>1,721,724</u>                 | <u>160,750,790</u>                 | <u>113,779,997</u>    | <u>-</u>                                     | <u>274,530,787</u>    | <u>-</u>                             | <u>-</u>             | <u>274,530,787</u>    |
| Total assets  | <u>\$ 37,759,927</u> | <u>\$ 214,230,978</u> | <u>\$ 3,412,151</u>              | <u>\$ 255,403,056</u>              | <u>\$ 216,165,561</u> | <u>\$ 51,809,851</u>                         | <u>\$ 523,378,468</u> | <u>\$ 945,772</u>                    | <u>\$ (559,010)</u>  | <u>\$ 523,765,230</u> |

*See Independent Auditor's Report on Supplementary Information*

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Combining Statement of Financial Position (Continued)**  
**September 30, 2021**

|  | Scotia<br>Village | River<br>Landing | Management<br>Services<br>Office | The<br>Presbyterian<br>Homes, Inc. | Glenaire,<br>Inc. | Presbyterian<br>Homes<br>Foundation,<br>Inc. | Obligated<br>Group | PHI<br>Management<br>Services<br>LLC | Combining<br>Entries | Total          |
|--|-------------------|------------------|----------------------------------|------------------------------------|-------------------|--|--------------------|--------------------------------------|----------------------|----------------|
| <b>Liabilities and Net Assets</b>  |                   |                  |                                  |                                    |                   |  |                    |                                      |                      |                |
| Current Liabilities:   |                   |                  |                                  |                                    |                   |  |                    |                                      |                      |                |
| Current maturities of long-term debt   | \$ 919,923        | \$ 7,106,573     | \$ -                             | \$ 8,026,496                       | \$ 1,607,626      | \$ -   | \$ 9,634,122       | \$ -                                 | \$ -                 | \$ 9,634,122   |
| Accounts payable   | 522,549           | 824,062          | 53,360                           | 1,399,971                          | 4,793,979         | -  | 6,193,950          | 939,379                              | -                    | 7,133,329      |
| Accrued payroll and related expenses   | 335,950           | 712,817          | 507,644                          | 1,556,411                          | 613,547           | -  | 2,169,958          | -                                    | -                    | 2,169,958      |
| Accrued interest   | 54,941            | 755,857          | -                                | 810,798                            | 41,509            | -  | 852,307            | -                                    | -                    | 852,307        |
| Other accrued expenses   | 128,291           | 257,932          | 165,062                          | 551,285                            | 160,297           | -  | 711,582            | -                                    | -                    | 711,582        |
| Estimated refundable entrance fees   | 257,876           | 587,730          | -                                | 845,606                            | 384,151           | -  | 1,229,757          | -                                    | -                    | 1,229,757      |
| Due to other divisions   | -                 | -                | -                                | -                                  | -                 | 559,010                                      | 559,010            | -                                    | (559,010)            | -              |
| Total current liabilities  | 2,219,530         | 10,244,971       | 726,066                          | 13,190,567                         | 7,601,109         | 559,010                                      | 21,350,686         | 939,379                              | (559,010)            | 21,731,055     |
| Long-term debt, less current maturities<br>and unamortized debt issuance costs | 6,748,760         | 89,731,234       | -                                | 96,479,994                         | 116,231,198       | -  | 212,711,192        | -                                    | -                    | 212,711,192    |
| Deferred revenue and other liabilities:  |                   |                  |                                  |                                    |                   |  |                    |                                      |                      |                |
| Deferred revenue from entrance fees:   |                   |                  |                                  |                                    |                   |  |                    |                                      |                      |                |
| Non refundable   | 5,061,448         | 24,827,776       | -                                | 29,889,224                         | 13,342,114        | -  | 43,231,338         | -                                    | -                    | 43,231,338     |
| Refundable   | 2,609,858         | 22,249,230       | -                                | 24,859,088                         | 5,317,286         | -  | 30,176,374         | -                                    | -                    | 30,176,374     |
| Refundable entrance fees   | 1,146,725         | 3,549,368        | -                                | 4,696,093                          | 5,994,287         | -  | 10,690,380         | -                                    | -                    | 10,690,380     |
| Admission deposits   | 447,560           | 870,420          | -                                | 1,317,980                          | 10,736,797        | -  | 12,054,777         | -                                    | -                    | 12,054,777     |
| Interest rate swap agreement   | 126,908           | 4,727,663        | -                                | 4,854,571                          | 162,427           | -  | 5,016,998          | -                                    | -                    | 5,016,998      |
| Other accrued expenses   | 290,573           | 568,198          | 439,707                          | 1,298,478                          | 394,871           | -  | 1,693,349          | -                                    | -                    | 1,693,349      |
| Residents' cash deposits   | 341               | -                | -                                | 341                                | -                 | -  | 341                | -                                    | -                    | 341            |
|  | 9,683,413         | 56,792,655       | 439,707                          | 66,915,775                         | 35,947,782        | -  | 102,863,557        | -                                    | -                    | 102,863,557    |
| Total liabilities  | 18,651,703        | 156,768,860      | 1,165,773                        | 176,586,336                        | 159,780,089       | 559,010                                      | 336,925,435        | 939,379                              | (559,010)            | 337,305,804    |
| Net Assets:  |                   |                  |                                  |                                    |                   |  |                    |                                      |                      |                |
| Assets without donor restrictions  | 19,108,224        | 56,399,334       | 2,246,378                        | 77,753,936                         | 56,385,472        | 42,296,125                                   | 176,435,533        | 6,393                                | -                    | 176,441,926    |
| Assets with donor restrictions   | -                 | 1,062,784        | -                                | 1,062,784                          | -                 | 8,954,716                                    | 10,017,500         | -                                    | -                    | 10,017,500     |
| Total net assets   | 19,108,224        | 57,462,118       | 2,246,378                        | 78,816,720                         | 56,385,472        | 51,250,841                                   | 186,453,033        | 6,393                                | -                    | 186,459,426    |
| Total liabilities and net assets   | \$ 37,759,927     | \$ 214,230,978   | \$ 3,412,151                     | \$ 255,403,056                     | \$ 216,165,561    | \$ 51,809,851                                | \$ 523,378,468     | \$ 945,772                           | \$ (559,010)         | \$ 523,765,230 |

*See Independent Auditor's Report on Supplementary Information*

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Property and Equipment Information**  
**September 30, 2021**

|   | Assets                        |                      |                                 | Accumulated Depreciation         |                               |                                 | Book Value<br>September 30,<br>2021 |                                  |
|---|-------------------------------|----------------------|---------------------------------|----------------------------------|-------------------------------|---------------------------------|-------------------------------------|----------------------------------|
|   | Balance<br>October 1,<br>2020 | Acquisitions         | Transfers<br>and<br>Retirements | Balance<br>September 30,<br>2021 | Balance<br>October 1,<br>2020 | Transfers<br>and<br>Retirements |                                     | Balance<br>September 30,<br>2021 |
| <b>Scotia Village:</b>                      |                               |                      |                                 |                                  |                               |                                 |                                     |                                  |
| Land  | \$ 201,635                    | \$ -                 | \$ -                            | \$ 201,635                       | \$ -                          | \$ -                            | \$ -                                | \$ 201,635                       |
| Land improvements                           | 1,122,322                     | -                    | -                               | 1,122,322                        | 753,056                       | 41,964                          | 795,020                             | 327,302                          |
| Buildings                                   | 41,038,610                    | 719,699              | -                               | 41,758,309                       | 18,154,472                    | 1,484,311                       | 19,638,783                          | 22,119,526                       |
| Equipment, furniture and<br>other equipment | 1,344,949                     | 80,812               | -                               | 1,425,761                        | 1,004,889                     | 101,130                         | 1,106,019                           | 319,742                          |
| Vehicles                                    | 322,708                       | -                    | -                               | 322,708                          | 295,197                       | 12,396                          | 307,593                             | 15,115                           |
| Construction-in-progress                    | 814,518                       | 888,357              | (793,871)                       | 909,004                          | -                             | -                               | -                                   | 909,004                          |
|   | <u>44,844,742</u>             | <u>1,688,868</u>     | <u>(793,871)</u>                | <u>45,739,739</u>                | <u>20,207,614</u>             | <u>1,639,801</u>                | <u>21,847,415</u>                   | <u>23,892,324</u>                |
| <b>River Landing:</b>                       |                               |                      |                                 |                                  |                               |                                 |                                     |                                  |
| Land  | 4,623,273                     | 23,301               | -                               | 4,646,574                        | -                             | -                               | -                                   | 4,646,574                        |
| Land improvements                           | 1,571,821                     | 303,243              | -                               | 1,875,064                        | 1,014,714                     | 70,620                          | 1,085,334                           | 789,730                          |
| Buildings                                   | 149,360,943                   | 23,842,665           | -                               | 173,203,608                      | 42,350,467                    | 4,493,043                       | 46,843,510                          | 126,360,098                      |
| Equipment, furniture and<br>other equipment | 3,948,368                     | 1,090,499            | -                               | 5,038,867                        | 2,502,334                     | 367,006                         | 2,869,340                           | 2,169,527                        |
| Vehicles                                    | 701,157                       | 29,500               | -                               | 730,657                          | 577,817                       | 59,670                          | 637,487                             | 93,170                           |
| Construction-in-progress                    | 22,046,162                    | 4,320,688            | (25,289,207)                    | 1,077,643                        | -                             | -                               | -                                   | 1,077,643                        |
|   | <u>182,251,724</u>            | <u>29,609,896</u>    | <u>(25,289,207)</u>             | <u>186,572,413</u>               | <u>46,445,332</u>             | <u>4,990,339</u>                | <u>51,435,671</u>                   | <u>135,136,742</u>               |
| <b>Management Services Office:</b>          |                               |                      |                                 |                                  |                               |                                 |                                     |                                  |
| Land  | 22,623                        | -                    | -                               | 22,623                           | -                             | -                               | -                                   | 22,623                           |
| Land improvements                           | 34,524                        | -                    | -                               | 34,524                           | 2,589                         | 1,727                           | 4,316                               | 30,208                           |
| Buildings                                   | 1,810,284                     | -                    | -                               | 1,810,284                        | 249,653                       | 47,150                          | 296,803                             | 1,513,481                        |
| Equipment, furniture and<br>other equipment | 1,495,187                     | 22,037               | -                               | 1,517,224                        | 1,383,525                     | 33,265                          | 1,416,790                           | 100,434                          |
| Vehicles                                    | 159,837                       | 34,202               | -                               | 194,039                          | 125,993                       | 15,359                          | 141,352                             | 52,687                           |
| Construction-in-progress                    | -                             | 58,530               | (56,239)                        | 2,291                            | -                             | -                               | -                                   | 2,291                            |
|   | <u>3,522,455</u>              | <u>114,769</u>       | <u>(56,239)</u>                 | <u>3,580,985</u>                 | <u>1,761,760</u>              | <u>97,501</u>                   | <u>1,859,261</u>                    | <u>1,721,724</u>                 |
| <b>Glenaire:</b>                            |                               |                      |                                 |                                  |                               |                                 |                                     |                                  |
| Land  | 12,992,985                    | -                    | -                               | 12,992,985                       | -                             | -                               | -                                   | 12,992,985                       |
| Land improvements                           | 1,377,775                     | 40,816               | -                               | 1,418,591                        | 614,337                       | 70,458                          | 684,795                             | 733,796                          |
| Buildings                                   | 83,244,869                    | 1,775,321            | -                               | 85,020,190                       | 34,536,673                    | 2,631,826                       | 37,168,499                          | 47,851,691                       |
| Equipment, furniture and<br>other equipment | 4,319,557                     | 616,868              | -                               | 4,936,425                        | 3,135,189                     | 346,589                         | 3,481,778                           | 1,454,647                        |
| Vehicles                                    | 497,490                       | 33,903               | -                               | 531,393                          | 313,720                       | 56,012                          | 369,732                             | 161,661                          |
| Construction-in-progress                    | 9,233,562                     | 43,818,561           | (2,466,906)                     | 50,585,217                       | -                             | -                               | -                                   | 50,585,217                       |
|   | <u>111,666,238</u>            | <u>46,285,469</u>    | <u>(2,466,906)</u>              | <u>155,484,801</u>               | <u>38,599,919</u>             | <u>3,104,885</u>                | <u>41,704,804</u>                   | <u>113,779,997</u>               |
|   | <u>\$ 342,285,159</u>         | <u>\$ 77,699,002</u> | <u>\$ (28,606,223)</u>          | <u>\$ 391,377,938</u>            | <u>\$ 107,014,625</u>         | <u>\$ 9,832,526</u>             | <u>\$ 116,847,151</u>               | <u>\$ 274,530,787</u>            |

*See Independent Auditor's Report on Supplementary Information*

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Combining Statement of Operations and Changes in Net Assets**  
**Year Ended September 30, 2021**

|  | Scotia<br>Village | River<br>Landing | Management<br>Services<br>Office | The<br>Presbyterian<br>Homes<br>Inc. | Glenaire,<br>Inc. | Presbyterian<br>Homes<br>Foundation,<br>Inc. | Obligated<br>Group | PHI<br>Management<br>Services<br>LLC | Combining<br>Entries | Total         |
|--|-------------------|------------------|----------------------------------|--------------------------------------|-------------------|--|--------------------|--------------------------------------|----------------------|---------------|
| Changes in net assets without donor restrictions:                                  |                   |                  |                                  |                                      |                   |  |                    |                                      |                      |               |
| Operating revenues:  |                   |                  |                                  |                                      |                   |  |                    |                                      |                      |               |
| Resident services:   |                   |                  |                                  |                                      |                   |  |                    |                                      |                      |               |
| Amortized entry fees   | \$ 2,050,074      | \$ 7,559,659     | \$ -                             | \$ 9,609,733                         | \$ 3,398,132      | \$ -   | \$ 13,007,865      | \$ -                                 | \$ -                 | \$ 13,007,865 |
| Service fees, residential  | 4,795,485         | 19,176,183       | -                                | 23,971,668                           | 10,030,557        | -  | 34,002,225         | -                                    | -                    | 34,002,225    |
| Service fees, assisted living  | 1,287,076         | 3,553,180        | -                                | 4,840,256                            | 2,653,747         | -  | 7,494,003          | -                                    | -                    | 7,494,003     |
| Service fees, nursing  | 4,671,108         | 5,560,112        | -                                | 10,231,220                           | 7,301,469         | -  | 17,532,689         | -                                    | -                    | 17,532,689    |
|  | 12,803,743        | 35,849,134       | -                                | 48,652,877                           | 23,383,905        | -  | 72,036,782         | -                                    | -                    | 72,036,782    |
| Food service income  | 29,856            | 128,516          | -                                | 158,372                              | 29,892            | -  | 188,264            | -                                    | -                    | 188,264       |
| Reimbursed medical   | 606,644           | 255,850          | -                                | 862,494                              | 1,354,880         | -  | 2,217,374          | -                                    | -                    | 2,217,374     |
| Golf course revenue  | -                 | 39,613           | -                                | 39,613                               | -                 | -  | 39,613             | -                                    | -                    | 39,613        |
| Management fee   | -                 | -                | -                                | -                                    | -                 | -  | -                  | 2,851,863                            | -                    | 2,851,863     |
| Other  | 603,596           | 766,107          | -                                | 1,369,703                            | 683,073           | -  | 2,052,776          | -                                    | -                    | 2,052,776     |
| Total operating revenues   | 14,043,839        | 37,039,220       | -                                | 51,083,059                           | 25,451,750        | -  | 76,534,809         | 2,851,863                            | -                    | 79,386,672    |
| Operating expenses:  |                   |                  |                                  |                                      |                   |  |                    |                                      |                      |               |
| Routine services   | 3,767,698         | 6,306,709        | -                                | 10,074,407                           | 6,920,430         | -  | 16,994,837         | -                                    | -                    | 16,994,837    |
| Special services   | 414,460           | 495,841          | -                                | 910,301                              | 559,805           | -  | 1,470,106          | -                                    | -                    | 1,470,106     |
| Dining services  | 1,518,747         | 4,720,145        | -                                | 6,238,892                            | 3,663,602         | -  | 9,902,494          | -                                    | -                    | 9,902,494     |
| Environmental services   | 649,929           | 1,168,584        | -                                | 1,818,513                            | 1,106,724         | -  | 2,925,237          | -                                    | -                    | 2,925,237     |
| Maintenance  | 1,467,851         | 2,723,193        | -                                | 4,191,044                            | 2,419,964         | -  | 6,611,008          | -                                    | -                    | 6,611,008     |
| Project and development  | -                 | -                | 294,030                          | 294,030                              | -                 | -  | 294,030            | -                                    | -                    | 294,030       |
| Marketing  | 424,560           | 482,826          | -                                | 907,386                              | 436,016           | -  | 1,343,402          | -                                    | -                    | 1,343,402     |
| Administration   | 2,144,435         | 3,439,742        | 4,766,241                        | 10,350,418                           | 3,155,151         | -  | 13,505,569         | 1,121,258                            | -                    | 14,626,827    |
| Depreciation and other charges   | 1,631,637         | 4,799,908        | 97,501                           | 6,529,046                            | 2,565,305         | -  | 9,094,351          | -                                    | -                    | 9,094,351     |
| Bond and note interest, and amortization   | 229,186           | 3,449,181        | -                                | 3,678,367                            | 370,034           | -  | 4,048,401          | -                                    | -                    | 4,048,401     |
| Purchased medical services   | 730,987           | 318,977          | -                                | 1,049,964                            | 1,210,009         | -  | 2,259,973          | -                                    | -                    | 2,259,973     |
| Miscellaneous, net   | 74,643            | 106,503          | 283                              | 181,429                              | 317,386           | 88,671                                       | 587,486            | -                                    | -                    | 587,486       |
| Allocation of management services  |                   |                  |                                  |                                      |                   |  |                    |                                      |                      |               |
| office expense, net  | 542,403           | 1,499,476        | (4,843,262)                      | (2,801,383)                          | 1,027,524         | -  | (1,773,859)        | 1,773,859                            | -                    | -             |
| Golf course expense  | -                 | 1,057,091        | -                                | 1,057,091                            | -                 | -  | 1,057,091          | -                                    | -                    | 1,057,091     |
| Total operating expenses   | 13,596,536        | 30,568,176       | 314,793                          | 44,479,505                           | 23,751,950        | 88,671                                       | 68,320,126         | 2,895,117                            | -                    | 71,215,243    |
| Increase (decrease) in net assets<br>without donor restrictions<br>from operations | 447,303           | 6,471,044        | (314,793)                        | 6,603,554                            | 1,699,800         | (88,671)                                     | 8,214,683          | (43,254)                             | -                    | 8,171,429     |

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Combining Statement of Operations and Changes in Net Assets (Continued)**  
**Year Ended September 30, 2021**

|   | Scotia<br>Village    | River<br>Landing     | Management<br>Services<br>Office | The<br>Presbyterian<br>Homes<br>Inc. | Glenaire,<br>Inc.    | Presbyterian<br>Homes<br>Foundation,<br>Inc. | Obligated<br>Group    | PHI<br>Management<br>Services<br>LLC | Combining<br>Entries | Total                 |
|---|----------------------|----------------------|----------------------------------|--------------------------------------|----------------------|--|-----------------------|--------------------------------------|----------------------|-----------------------|
| Nonoperating gains (losses):                            |                      |                      |                                  |                                      |                      |  |                       |                                      |                      |                       |
| Contributions   | \$ -                 | \$ -                 | \$ -                             | \$ -                                 | \$ -                 | \$ 77,602                                    | \$ 77,602             | \$ -                                 | \$ -                 | \$ 77,602             |
| Grant income (expense)                                  | 373,574              | 1,125,408            | 189,093                          | 1,688,075                            | 402,331              | (2,089,598)                                  | 808                   | -                                    | -                    | 808                   |
| Net realized investment income                          | 879,038              | 4,840,827            | 301                              | 5,720,166                            | 2,165,143            | 4,483,770                                    | 12,369,079            | -                                    | -                    | 12,369,079            |
| Net unrealized income on investments                    | 769,414              | 5,611,247            | -                                | 6,380,661                            | 1,626,552            | 3,234,641                                    | 11,241,854            | -                                    | -                    | 11,241,854            |
| Net assets released from restrictions                   | -                    | -                    | -                                | -                                    | -                    | 692,528                                      | 692,528               | -                                    | -                    | 692,528               |
| Transfers of assets between communities                 | (10,343)             | (28,593)             | 58,530                           | 19,594                               | (19,594)             | -  | -                     | -                                    | -                    | -                     |
| Change in fair value of interest rate<br>swap agreement | 134,508              | 3,502,427            | -                                | 3,636,935                            | 166,584              | -  | 3,803,519             | -                                    | -                    | 3,803,519             |
| Other, net  | (3,344)              | 322                  | 17,638                           | 14,616                               | 343                  | -  | 14,959                | -                                    | -                    | 14,959                |
| Total nonoperating gains                                | <u>2,142,847</u>     | <u>15,051,638</u>    | <u>265,562</u>                   | <u>17,460,047</u>                    | <u>4,341,359</u>     | <u>6,398,943</u>                             | <u>28,200,349</u>     | <u>-</u>                             | <u>-</u>             | <u>28,200,349</u>     |
| Change in net assets without donor<br>restrictions      | <u>2,590,150</u>     | <u>21,522,682</u>    | <u>(49,231)</u>                  | <u>24,063,601</u>                    | <u>6,041,159</u>     | <u>6,310,272</u>                             | <u>36,415,032</u>     | <u>(43,254)</u>                      | <u>-</u>             | <u>36,371,778</u>     |
| Changes in net assets with donor restrictions:          |                      |                      |                                  |                                      |                      |  |                       |                                      |                      |                       |
| Contributions   | -                    | -                    | -                                | -                                    | -                    | 810,170                                      | 810,170               | -                                    | -                    | 810,170               |
| Contributions in perpetual endowment                    | -                    | -                    | -                                | -                                    | -                    | 463,505                                      | 463,505               | -                                    | -                    | 463,505               |
| Net increase in unrealized losses<br>on investments     | -                    | 89,299               | -                                | 89,299                               | -                    | 507,951                                      | 597,250               | -                                    | -                    | 597,250               |
| Net realized investment income                          | -                    | -                    | -                                | -                                    | -                    | 834,667                                      | 834,667               | -                                    | -                    | 834,667               |
| Net assets released from restrictions                   | -                    | -                    | -                                | -                                    | -                    | (692,528)                                    | (692,528)             | -                                    | -                    | (692,528)             |
| Change in net assets with donor<br>restrictions         | <u>-</u>             | <u>89,299</u>        | <u>-</u>                         | <u>89,299</u>                        | <u>-</u>             | <u>1,923,765</u>                             | <u>2,013,064</u>      | <u>-</u>                             | <u>-</u>             | <u>2,013,064</u>      |
| Change in net assets                                    | <u>2,590,150</u>     | <u>21,611,981</u>    | <u>(49,231)</u>                  | <u>24,152,900</u>                    | <u>6,041,159</u>     | <u>8,234,037</u>                             | <u>38,428,096</u>     | <u>(43,254)</u>                      | <u>-</u>             | <u>38,384,842</u>     |
| Net assets, beginning                                   | <u>16,518,074</u>    | <u>35,850,137</u>    | <u>2,295,609</u>                 | <u>54,663,820</u>                    | <u>50,344,313</u>    | <u>43,016,804</u>                            | <u>148,024,937</u>    | <u>49,647</u>                        | <u>-</u>             | <u>148,074,584</u>    |
| Net assets, ending                                      | <u>\$ 19,108,224</u> | <u>\$ 57,462,118</u> | <u>\$ 2,246,378</u>              | <u>\$ 78,816,720</u>                 | <u>\$ 56,385,472</u> | <u>\$ 51,250,841</u>                         | <u>\$ 186,453,033</u> | <u>\$ 6,393</u>                      | <u>\$ -</u>          | <u>\$ 186,459,426</u> |



**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Combining Statement of Cash Flows**  
**Year Ended September 30, 2021**

|   | Scotia<br>Village   | River<br>Landing    | Management<br>Services<br>Office | The<br>Presbyterian<br>Homes, Inc. | Glenaire,<br>Inc.    | Presbyterian<br>Homes<br>Foundation,<br>Inc. | Obligated<br>Group   | PHI<br>Management<br>Services<br>LLC | Combining<br>Entries | Total                |
|---|---------------------|---------------------|----------------------------------|------------------------------------|----------------------|--|----------------------|--------------------------------------|----------------------|----------------------|
| Cash flows from operating activities:   |                     |                     |                                  |                                    |                      |  |                      |                                      |                      |                      |
| Change in net assets  | \$ 2,590,150        | \$ 21,611,981       | \$ (49,231)                      | \$ 24,152,900                      | \$ 6,041,159         | \$ 8,234,037                                 | \$ 38,428,096        | \$ (43,254)                          | \$ -                 | \$ 38,384,842        |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                     |                     |                                  |                                    |                      |  |                      |                                      |                      |                      |
| Entrance fees received  | 1,833,720           | 5,664,670           | -                                | 7,498,390                          | 5,117,347            | -  | 12,615,737           | -                                    | -                    | 12,615,737           |
| Entrance fees received - initial units  | -                   | -                   | -                                | -                                  | 896,500              | -  | 896,500              | -                                    | -                    | 896,500              |
| Amortization of entrance fees   | (2,050,074)         | (7,559,659)         | -                                | (9,609,733)                        | (3,398,132)          | -  | (13,007,865)         | -                                    | -                    | (13,007,865)         |
| Debt forgiveness - deferred CARES funds   | (440,957)           | (502,982)           | -                                | (943,939)                          | (518,496)            | -  | (1,462,435)          | -                                    | -                    | (1,462,435)          |
| Depreciation and amortization   | 1,631,637           | 4,799,908           | 97,501                           | 6,529,046                          | 2,565,305            | -  | 9,094,351            | -                                    | -                    | 9,094,351            |
| Change in fair value of interest rate swap agreement  | (134,508)           | (3,502,427)         | -                                | (3,636,935)                        | (166,584)            | -  | (3,803,519)          | -                                    | -                    | (3,803,519)          |
| Realized and unrealized gains (losses) on investments and investment income                           | (769,414)           | (5,700,546)         | -                                | (6,469,960)                        | (1,626,552)          | (3,742,592)                                  | (11,839,104)         | -                                    | -                    | (11,839,104)         |
| Net realized investment income (losses)   | (865,027)           | (4,775,355)         | -                                | (5,640,382)                        | (2,125,583)          | (5,229,765)                                  | (12,995,730)         | -                                    | -                    | (12,995,730)         |
| Investment in perpetual endowment   | -                   | -                   | -                                | -                                  | -                    | (463,505)                                    | (463,505)            | -                                    | -                    | (463,505)            |
| Changes in working capital components:  |                     |                     |                                  |                                    |                      |  |                      |                                      |                      |                      |
| (Increase) decrease in:   |                     |                     |                                  |                                    |                      |  |                      |                                      |                      |                      |
| Trade and other receivables   | 99,069              | 353,177             | (404,345)                        | 47,901                             | (534,854)            | (69,000)                                     | (555,953)            | -                                    | -                    | (555,953)            |
| Other assets  | (201,589)           | (33,786)            | (117,821)                        | (353,196)                          | 9,722                | -  | (343,474)            | -                                    | -                    | (343,474)            |
| Due from other divisions  | (21,720)            | 1,778,136           | 10,184                           | 1,766,600                          | (1,215,606)          | -  | 550,994              | -                                    | (550,994)            | -                    |
| Increase (decrease) in:   |                     |                     |                                  |                                    |                      |  |                      |                                      |                      |                      |
| Accounts payable  | 111,332             | (944,872)           | (11,645)                         | (845,185)                          | 3,044,826            | (70,999)                                     | 2,128,642            | 588,616                              | -                    | 2,717,258            |
| Accrued expenses  | 6,700               | 136,563             | 130,782                          | 274,045                            | 149,298              | -  | 423,343              | -                                    | -                    | 423,343              |
| Due to other divisions  | -                   | -                   | -                                | -                                  | -                    | (550,994)                                    | (550,994)            | -                                    | 550,994              | -                    |
| Net cash provided by (used in) operating activities   | <u>1,789,319</u>    | <u>11,324,808</u>   | <u>(344,575)</u>                 | <u>12,769,552</u>                  | <u>8,238,350</u>     | <u>(1,892,818)</u>                           | <u>19,115,084</u>    | <u>545,362</u>                       | <u>-</u>             | <u>19,660,446</u>    |
| Cash flows from investing activities:   |                     |                     |                                  |                                    |                      |  |                      |                                      |                      |                      |
| Purchases of property and equipment   | (894,997)           | (4,320,689)         | (58,530)                         | (5,274,216)                        | (43,818,563)         | -  | (49,092,779)         | -                                    | -                    | (49,092,779)         |
| Payments of issuance costs  | -                   | -                   | -                                | -                                  | (1,690,626)          | -  | (1,690,626)          | -                                    | -                    | (1,690,626)          |
| Purchases of investments  | (7,254,111)         | (44,465,651)        | -                                | (51,719,762)                       | (82,385,082)         | (25,460,476)                                 | (159,565,320)        | -                                    | -                    | (159,565,320)        |
| Proceeds from investments   | 6,920,724           | 30,162,044          | -                                | 37,082,768                         | 15,022,051           | 26,034,701                                   | 78,139,520           | -                                    | -                    | 78,139,520           |
| Net cash provided by (used in) investing activities   | <u>(1,228,384)</u>  | <u>(18,624,296)</u> | <u>(58,530)</u>                  | <u>(19,911,210)</u>                | <u>(112,872,220)</u> | <u>574,225</u>                               | <u>(132,209,205)</u> | <u>-</u>                             | <u>-</u>             | <u>(132,209,205)</u> |
| Cash flows from financing activities:   |                     |                     |                                  |                                    |                      |  |                      |                                      |                      |                      |
| Investment in perpetual endowment   | -                   | -                   | -                                | -                                  | -                    | 463,505                                      | 463,505              | -                                    | -                    | 463,505              |
| Proceeds from issuance of long-term debt  | -                   | -                   | -                                | -                                  | 108,487,119          | -  | 108,487,119          | -                                    | -                    | 108,487,119          |
| Principal payments of long-term debt  | (782,117)           | (5,470,726)         | -                                | (6,252,843)                        | (2,054,575)          | -  | (8,307,418)          | -                                    | -                    | (8,307,418)          |
| Refunds of refundable fees  | (607,251)           | (1,129,850)         | -                                | (1,737,101)                        | (873,630)            | -  | (2,610,731)          | -                                    | -                    | (2,610,731)          |
| Net cash provided by (used in) financing activities   | <u>(1,389,368)</u>  | <u>(6,600,576)</u>  | <u>-</u>                         | <u>(7,989,944)</u>                 | <u>105,558,914</u>   | <u>463,505</u>                               | <u>98,032,475</u>    | <u>-</u>                             | <u>-</u>             | <u>98,032,475</u>    |
| Net increase (decrease) in cash and cash equivalents  | (828,433)           | (13,900,064)        | (403,105)                        | (15,131,602)                       | 925,044              | (855,088)                                    | (15,061,646)         | 545,362                              | -                    | (14,516,284)         |
| Cash and cash equivalents, beginning  | 4,174,779           | 19,626,097          | 1,145,351                        | 24,946,227                         | 9,256,712            | 3,580,162                                    | 37,783,101           | 400,410                              | -                    | 38,183,511           |
| Cash and cash equivalents, ending   | <u>\$ 3,346,346</u> | <u>\$ 5,726,033</u> | <u>\$ 742,246</u>                | <u>\$ 9,814,625</u>                | <u>\$ 10,181,756</u> | <u>\$ 2,725,074</u>                          | <u>\$ 22,721,455</u> | <u>\$ 945,772</u>                    | <u>\$ -</u>          | <u>\$ 23,667,227</u> |

*See Independent Auditor's Report on Supplementary Information*

**PRESBYTERIAN HOMES, INC.  
AND ITS COMBINED AFFILIATES**

**COMPILED FORECAST**

**FOR THE YEARS ENDING  
SEPTEMBER 30, 2022 THROUGH 2026**



**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Compiled Forecast**  
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To the Board of Governors  
The Presbyterian Homes, Inc.  
High Point, North Carolina

Management is responsible for the accompanying forecast of The Presbyterian Homes, Inc. and its combined affiliates (the "Organization"), which comprises the forecasted combined statements of financial position as of September 30, 2022, 2023, 2024, 2025 and 2026 and the forecasted combined statements of operations and changes in net assets, and cash flows for the years then ending, including the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed the 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 forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this forecast.

There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
February 24, 2022

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Forecasted Combined Statements of Financial Position**  
**September 30, 2022 through 2026**

|  | (In Thousands of Dollars) |                   |                   |                   |                   |
|--|---------------------------|-------------------|-------------------|-------------------|-------------------|
|  | 2022                      | 2023              | 2024              | 2025              | 2026              |
| <b><u>Assets</u></b>                                       |                           |                   |                   |                   |                   |
| Current Assets:  |                           |                   |                   |                   |                   |
| Cash and cash equivalents                                  | \$ 6,556                  | \$ 6,576          | \$ 6,597          | \$ 6,618          | \$ 6,641          |
| Assets limited as to use, required for current liabilities | 8,228                     | 9,087             | 8,315             | 8,212             | 7,675             |
| Accounts receivable, net                                   | 1,370                     | 1,430             | 1,430             | 1,431             | 1,452             |
| Other receivables  | 1,602                     | 1,561             | 1,582             | 1,602             | 1,622             |
| Other current assets                                       | 1,017                     | 1,037             | 1,059             | 1,080             | 1,100             |
| Total Current Assets                                       | <u>18,773</u>             | <u>19,691</u>     | <u>18,983</u>     | <u>18,943</u>     | <u>18,490</u>     |
| Assets Limited As to Use:                                  |                           |                   |                   |                   |                   |
| Under bond agreement                                       | 48,866                    | 57,092            | 8,832             | -                 | -                 |
| Reserves required by state statute                         | 17,549                    | 18,680            | 21,163            | 21,859            | 22,481            |
| Endowment funds  | 4,121                     | 4,121             | 4,121             | 4,121             | 4,121             |
|  | <u>70,536</u>             | <u>79,893</u>     | <u>34,116</u>     | <u>25,980</u>     | <u>26,602</u>     |
| Investments, Deferred Costs and Other Assets:              |                           |                   |                   |                   |                   |
| Investments  | 142,690                   | 147,202           | 156,964           | 174,642           | 190,435           |
| Deferred CON costs, net                                    | 92                        | 86                | 80                | 74                | 68                |
|  | <u>142,782</u>            | <u>147,288</u>    | <u>157,044</u>    | <u>174,716</u>    | <u>190,503</u>    |
| Property and Equipment:                                    |                           |                   |                   |                   |                   |
| Land, buildings and equipment                              | 492,074                   | 535,371           | 541,394           | 547,016           | 551,242           |
| Construction in progress                                   | -                         | -                 | -                 | -                 | -                 |
|  | <u>492,074</u>            | <u>535,371</u>    | <u>541,394</u>    | <u>547,016</u>    | <u>551,242</u>    |
| Less accumulated depreciation                              | 125,584                   | 138,536           | 153,871           | 169,232           | 184,670           |
|  | <u>366,490</u>            | <u>396,835</u>    | <u>387,523</u>    | <u>377,784</u>    | <u>366,572</u>    |
| Total Assets   | <u>\$ 598,581</u>         | <u>\$ 643,707</u> | <u>\$ 597,666</u> | <u>\$ 597,423</u> | <u>\$ 602,167</u> |
| <b><u>Liabilities and Net Assets</u></b>                   |                           |                   |                   |                   |                   |
| Current Liabilities:                                       |                           |                   |                   |                   |                   |
| Current maturities of long-term debt                       | \$ 39,808                 | \$ 58,080         | \$ 13,264         | \$ 10,531         | \$ 9,557          |
| Accounts payable   | 2,337                     | 2,337             | 2,338             | 2,339             | 2,340             |
| Accrued expenses   | 2,180                     | 2,190             | 2,201             | 2,212             | 2,223             |
| Accrued interest   | 1,981                     | 3,066             | 3,043             | 3,018             | 2,991             |
| Other accrued expenses                                     | 714                       | 718               | 720               | 723               | 725               |
| Estimated refundable entrance fees                         | 1,229                     | 1,229             | 1,229             | 1,229             | 1,229             |
| Total Current Liabilities                                  | <u>48,249</u>             | <u>67,620</u>     | <u>22,795</u>     | <u>20,052</u>     | <u>19,065</u>     |
| Long-Term Debt   | <u>217,084</u>            | <u>193,109</u>    | <u>179,108</u>    | <u>167,839</u>    | <u>157,535</u>    |
| Deferred Revenue and Other Liabilities:                    |                           |                   |                   |                   |                   |
| Deferred revenue - nonrefundable fees                      | 43,006                    | 84,341            | 79,795            | 75,260            | 71,462            |
| Deferred revenue - refundable fees                         | 30,167                    | 65,380            | 61,524            | 57,724            | 54,384            |
| Refundable entrance fees                                   | 10,516                    | 10,334            | 10,259            | 10,185            | 10,270            |
| Admission deposits   | 46,381                    | 3,593             | 3,642             | 3,640             | 3,636             |
| Other accrued expenses                                     | 1,704                     | 1,713             | 1,721             | 1,731             | 1,741             |
| Interest rate swap agreement                               | 5,017                     | 5,017             | 5,017             | 5,017             | 5,017             |
|  | <u>136,791</u>            | <u>170,378</u>    | <u>161,958</u>    | <u>153,557</u>    | <u>146,510</u>    |
| Total Liabilities  | <u>402,124</u>            | <u>431,107</u>    | <u>363,861</u>    | <u>341,448</u>    | <u>323,110</u>    |
| Net Assets:  |                           |                   |                   |                   |                   |
| Assets without donor restrictions                          | 186,439                   | 202,582           | 223,787           | 245,957           | 269,039           |
| Assets with donor restrictions                             | 10,018                    | 10,018            | 10,018            | 10,018            | 10,018            |
| Total Net Assets   | <u>196,457</u>            | <u>212,600</u>    | <u>233,805</u>    | <u>255,975</u>    | <u>279,057</u>    |
| Total Liabilities and Net Assets                           | <u>\$ 598,581</u>         | <u>\$ 643,707</u> | <u>\$ 597,666</u> | <u>\$ 597,423</u> | <u>\$ 602,167</u> |

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Forecasted Combined Statements of Operations and Changes in Net Assets**  
**Years Ending September 30, 2022 through 2026**

|   | (In Thousands of Dollars) |                   |                   |                   |                   |
|---|---------------------------|-------------------|-------------------|-------------------|-------------------|
|   | 2022                      | 2023              | 2024              | 2025              | 2026              |
| Changes in Net Assets without Donor Restrictions: |                           |                   |                   |                   |                   |
| Revenue:  |                           |                   |                   |                   |                   |
| Amortization of advance fees                      | \$ 14,777                 | \$ 23,621         | \$ 23,394         | \$ 23,139         | \$ 22,839         |
| Service fees, residential                         | 34,831                    | 37,670            | 50,307            | 52,076            | 53,907            |
| Service fees, assisted living                     | 8,349                     | 9,000             | 11,831            | 12,353            | 12,807            |
| Service fees, nursing                             | 19,017                    | 21,133            | 21,760            | 22,392            | 23,011            |
| Adult day care                                    | 157                       | 286               | 559               | 579               | 599               |
| Food service income                               | 265                       | 265               | 265               | 265               | 265               |
| Reimbursed medical                                | 2,465                     | 2,465             | 2,465             | 2,465             | 2,465             |
| Golf course revenue                               | 100                       | 100               | 100               | 100               | 100               |
| Other   | 1,877                     | 1,858             | 2,222             | 1,966             | 2,018             |
| Total operating revenue                           | <u>81,838</u>             | <u>96,398</u>     | <u>112,903</u>    | <u>115,335</u>    | <u>118,011</u>    |
| Expenses:   |                           |                   |                   |                   |                   |
| Routine services                                  | 18,450                    | 19,359            | 21,304            | 22,048            | 22,815            |
| Special services                                  | 1,643                     | 2,059             | 2,829             | 2,936             | 3,033             |
| Dining services                                   | 10,663                    | 12,002            | 15,995            | 16,560            | 17,140            |
| Environmental services                            | 3,384                     | 3,691             | 4,599             | 4,762             | 4,929             |
| Maintenance                                       | 7,228                     | 7,836             | 9,337             | 9,669             | 10,007            |
| Marketing   | 1,845                     | 1,934             | 1,890             | 1,955             | 2,017             |
| Administration                                    | 14,673                    | 15,512            | 16,720            | 17,273            | 17,845            |
| Depreciation and amortization                     | 8,004                     | 12,215            | 14,595            | 14,635            | 14,705            |
| Bond interest and amortization                    | 8,622                     | 9,225             | 8,193             | 7,454             | 7,159             |
| Purchased medical services                        | 2,670                     | 2,670             | 2,670             | 2,670             | 2,670             |
| Golf course and grounds expense                   | 1,092                     | 1,130             | 1,170             | 1,211             | 1,254             |
| Miscellaneous, net                                | 245                       | 244               | 245               | 243               | 244               |
| Total operating expenses                          | <u>78,519</u>             | <u>87,877</u>     | <u>99,547</u>     | <u>101,416</u>    | <u>103,818</u>    |
| Operating income                                  | <u>3,319</u>              | <u>8,521</u>      | <u>13,356</u>     | <u>13,919</u>     | <u>14,193</u>     |
| Nonoperating income:                              |                           |                   |                   |                   |                   |
| Contributions                                     | 1,417                     | 1,417             | 1,417             | 1,417             | 1,417             |
| Net realized investment income                    | 5,269                     | 6,205             | 6,432             | 6,834             | 7,472             |
| Net nonoperating income                           | <u>6,686</u>              | <u>7,622</u>      | <u>7,849</u>      | <u>8,251</u>      | <u>8,889</u>      |
| Changes in net assets without donor restrictions  | 10,005                    | 16,143            | 21,205            | 22,170            | 23,082            |
| Net assets, beginning                             | <u>186,452</u>            | <u>196,457</u>    | <u>212,600</u>    | <u>233,805</u>    | <u>255,975</u>    |
| Net assets, ending                                | <u>\$ 196,457</u>         | <u>\$ 212,600</u> | <u>\$ 233,805</u> | <u>\$ 255,975</u> | <u>\$ 279,057</u> |

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Forecasted Combined Statements of Cash Flows**  
**Years Ending September 30, 2022 through 2026**

|  | (In Thousands of Dollars) |                 |                 |                 |                 |
|--|---------------------------|-----------------|-----------------|-----------------|-----------------|
|  | 2022                      | 2023            | 2024            | 2025            | 2026            |
| Cash flows from operating activities:  |                           |                 |                 |                 |                 |
| Changes in net assets  | \$ 10,005                 | \$ 16,143       | \$ 21,205       | \$ 22,170       | \$ 23,082       |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: |                           |                 |                 |                 |                 |
| Entrance fees received   | 49,642                    | 58,154          | 15,920          | 15,667          | 16,719          |
| Amortization of entrance fees  | (14,777)                  | (23,621)        | (23,394)        | (23,139)        | (22,839)        |
| Depreciation   | 8,737                     | 12,942          | 15,326          | 15,367          | 15,446          |
| Amortization of deferred CON costs   | 3                         | 6               | 6               | 6               | 6               |
| Amortization of deferred financing costs   | 193                       | 187             | 175             | 163             | 152             |
| Amortization of bond premium   | (929)                     | (920)           | (912)           | (901)           | (899)           |
| Changes in working capital:  |                           |                 |                 |                 |                 |
| (Increase) decrease in:  |                           |                 |                 |                 |                 |
| Trade and other receivables  | 1,776                     | (19)            | (21)            | (21)            | (41)            |
| Unconditional promises to give   | 20                        | -               | -               | -               | -               |
| Other assets   | (20)                      | (20)            | (22)            | (21)            | (20)            |
| Increase (decrease) in:  |                           |                 |                 |                 |                 |
| Decrease in accounts payable and accrued expenses  | (3,266)                   | 1,108           | (1)             | -               | (3)             |
| Net cash provided by operating activities  | <u>51,384</u>             | <u>63,960</u>   | <u>28,282</u>   | <u>29,291</u>   | <u>31,603</u>   |
| Cash flows from investing activities:  |                           |                 |                 |                 |                 |
| Purchases of property and equipment  | (100,695)                 | (43,297)        | (6,023)         | (5,622)         | (4,226)         |
| Net proceeds (purchases) of investments  | (1,714)                   | (14,728)        | 36,787          | (9,439)         | (15,878)        |
| Net cash provided by (used in) investing activities  | <u>(102,409)</u>          | <u>(58,025)</u> | <u>30,764</u>   | <u>(15,061)</u> | <u>(20,104)</u> |
| Cash flows used in financing activities:   |                           |                 |                 |                 |                 |
| Principal payments on long-term debt   | (9,827)                   | (39,808)        | (58,080)        | (13,264)        | (10,531)        |
| Proceeds from long-term borrowings   | 45,112                    | 34,838          | -               | -               | -               |
| Refunds of refundable fees   | (945)                     | (945)           | (945)           | (945)           | (945)           |
| Net cash provided by (used in) financing activities  | <u>34,340</u>             | <u>(5,915)</u>  | <u>(59,025)</u> | <u>(14,209)</u> | <u>(11,476)</u> |
| Net increase (decrease) in cash and cash equivalents   | (16,685)                  | 20              | 21              | 21              | 23              |
| Cash and cash equivalents, beginning   | <u>23,241</u>             | <u>6,556</u>    | <u>6,576</u>    | <u>6,597</u>    | <u>6,618</u>    |
| Cash and cash equivalents, ending  | <u>\$ 6,556</u>           | <u>\$ 6,576</u> | <u>\$ 6,597</u> | <u>\$ 6,618</u> | <u>\$ 6,641</u> |
| Supplemental disclosure of cash flow information:  |                           |                 |                 |                 |                 |
| Cash payments for interest   | <u>\$ 7,494</u>           | <u>\$ 8,140</u> | <u>\$ 8,216</u> | <u>\$ 7,479</u> | <u>\$ 7,186</u> |

## **THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**

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

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#### NOTE 1 - BASIS OF PRESENTATION

The accompanying financial forecast presents, to the best of the knowledge and belief of the management ("Management") of The Presbyterian Homes, Inc. and Glenaire, Inc.'s (collectively, the "Communities") expected combined financial position, changes in net assets, and cash flows as of and for each of the five years ending through September 30, 2026. Accordingly, the combined forecast reflects Management's judgment as of February 24, 2022, of the expected conditions and its expected course of action during the forecast period.

The assumptions disclosed herein are those which Management believes are significant to the combined forecast. Management recognizes there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Management's purpose in releasing this combined financial forecast is for inclusion in the Communities' disclosure statement in accordance with Chapter 58, Article 64, of the North Carolina General Statutes. Accordingly, this report should not be used for any other purpose.

#### NOTE 2 - BACKGROUND OF THE ORGANIZATION

The Communities provide housing, health care and other related services to residents. The Presbyterian Homes, Inc. operates as River Landing at Sandy Ridge in Colfax, North Carolina and as Scotia Village in Laurinburg, North Carolina. Glenaire, Inc. operates in Cary, North Carolina. The Presbyterian Homes Foundation, Inc. is a foundation established to raise funds for support and the future needs of the Communities. The Communities and the Foundation are collectively referred to as the "Organization".

The Boards of Trustees of Glenaire, Inc. and The Presbyterian Homes Foundation, Inc. are appointed by and serve at the pleasure of the Board of Governors of The Presbyterian Homes, Inc.

#### **Principles of Combination**

The accompanying forecasted combined financial statements include the accounts of the above-named entities. All material related-party balances and transactions have been eliminated in combination.

A summary of the Organization's significant accounting policies is as follow:

#### NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS

##### **Classification of Net Assets**

The following classification of net assets is presented in the accompanying forecasted combined financial statements:

*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 in net assets without donor restrictions.



**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Summary of Significant Accounting Policies and Assumptions**

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NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

**Classification of Net Assets (Continued)**

*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 donor restricted net assets. 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.

**Changes in Assets Without Restrictions**

The forecasted combined statement of operations and changes in net assets reflect operating income. Changes in net assets without restrictions that are excluded from operating income, consistent with industry practice, include realized gains and losses on investments, changes in unrealized gains and losses on investments, investment income, income from estates, wills, trusts and bequests, and contributions.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Organization excludes from cash and cash equivalents assets limited as to use.

**Accounts Receivable**

The Communities record accounts receivable at the total unpaid balance which approximates estimated fair value. The Communities determine past-due status on individual accounts based on the billing dates. The Communities estimate their allowance for doubtful accounts based on a combination of factors, including the past historical loss experience and any anticipated effects related to current economic conditions, as well as 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.

**Assets Limited As To Use**

Assets limited as to use include assets held by trustees under an indenture agreement, assets which must be held in perpetuity under endowment agreements, unconditional promises to give restricted for purchase of property and equipment, repayment of debt, or financial assistance, assets held as deposits, and the operating reserve required by State statute.

**Resident Fees**

Resident fees represent the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Resident fees are recorded as revenue when earned.

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Summary of Significant Accounting Policies and Assumptions**

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NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

**Estimated Third-Party Payor Settlements**

The Communities have agreements with third-party payors that provide for payments to the Communities at amounts different from their established rates. Payment arrangements include prospectively determined per diem payments. Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

**Investments**

Investments in all debt and equity securities with a readily determinable market value are measured at fair value. The fair values of mutual funds and equity securities are determined based on quoted net asset values and share prices, respectively. The fair value of debt securities are based on quoted market prices. Changes in fair value of investments, including both realized and unrealized gains and losses, are included in the accompanying forecasted combined statements of operations and changes in net assets. In determining realized gains and losses, the cost of investments is determined using the first-in, first-out method. Donated investments are stated at fair value at the date of the gift. Unrealized gains and losses on investments, except those determined to be other than temporarily impaired, are excluded from excess of revenue over expenses. Any other than temporary declines are accounted for as a nonoperating loss, whereby the historical cost of the related investment would be adjusted to the then-current fair market value.

**Property and Equipment**

Property and equipment are stated at cost or at estimated fair value at the date of donation. Depreciation is determined principally by the straight-line method over the estimated useful lives of the assets, ranging from 3 to 40 years. It is the policy of the Communities to review long-lived assets and intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

**Deferred Financing Costs**

Financing costs relative to the permanent financing of the facilities have been deferred and are being amortized, using the effective interest method, over the terms of the related financing and are netted against the related outstanding debt associated with the financing cost.

**Income Tax Status**

The Communities are not-for-profit organizations exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the Foundation is an organization exempt from income taxes under the Internal Revenue Code Section 501(a).

It is the Organization's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a more-likely-than-not threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the forecasted combined financial statements. No material uncertain tax positions are expected during the forecast period. Any changes in the amount of a tax position will be recognized in the period the change occurs.

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Summary of Significant Accounting Policies and Assumptions**

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NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

**Revenue Recognition**

The Organization 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 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 Organization also provides assisted and nursing care to residents who are covered by government and commercial payers. The Organization 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 3rd 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 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 non-routine or additional services are billed monthly in arrears and recognized when the service is provided.

**Entrance Fees**

Entrance fees are amortized into revenue on a straight-line basis, based on the actuarially determined remaining life expectancy of the resident. This actuarially determined remaining life expectancy of the resident is adjusted annually. The unamortized portion of the fee is shown on the forecasted combined statements of financial position as deferred revenue.

**Refundable Fees**

The Organization offers three alternative entrance fee plans which provide refunds to residents from re-occupancy proceeds. Under the standard entrance fee option, prior to 48 months of occupancy, the resident would receive a refund equal to the entrance fee, less 2% per month of occupancy less a 4% non-refundable fee. The 50% refundable plan offers the resident a refund equal to 50% of the entrance fee after 23 months of occupancy. Prior to 23 months of occupancy, the resident is entitled to a refund of the entrance fee, less 2% per month of occupancy less a 4% non-refundable fee. The 90% refundable plan offers the resident a refund equal to 90% of the entrance fee after 6 months of occupancy. Prior to 6 months of occupancy, the resident is entitled to a refund of the entrance fee, less 1% per month of occupancy less a 4% non-refundable fee. The estimated amount of entrance fees that are expected to be refunded to current residents is shown on the forecasted combined statements of financial position as Estimated Refundable Entrance Fees. This amount is estimated using an average of the last five years' refunds. The total amount of contractual refund obligations under existing contracts is included in deferred revenue from entrance fees - refundable and refundable entrance fees on the forecasted combined statements of financial position.

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Summary of Significant Accounting Policies and Assumptions**

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NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

**Obligation to Provide Future Services**

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

**Paid Annual Leave**

After an employee has worked at the Communities for 90 days, they begin to earn paid annual leave ("PAL") time. PAL time may be earned by regular-time employees who work at least 60 hours per pay period. For the first three years of employment, employees may earn up to 23 days of PAL each year, after three years and through five years employees may earn 26 days of PAL each year, and after five years employees may earn 31 days annually. Employees are required to use at least 15 days of PAL each year, with the remaining unused PAL being put into a reserve. Up to 60 days can be accumulated in the reserve. Remaining unused current and reserved PAL is paid to an employee upon proper resignation, retirement or illness. The first 30 days of an employee's PAL reserve can only be used for an extended illness. The second 30 days of an employee's PAL reserve can be used as the employee desires.

**Property Tax Exemption**

During 2001, the state of North Carolina passed legislation which provided a property tax exemption for continuing care retirement communities (CCRCs) that expend 5% or more of their operating revenues on charity care and community service or CCRCs that have financed their facilities with tax exempt bond financing. Partial exemptions are available for CCRCs which provide some charity care and community service and CCRCs that have facilities which are partially financed with tax-exempt bond financing. The property tax exemption must be requested each year. Based on the combination of the partial exemptions described above, Management believes that it will qualify for a full property tax exemption for the foreseeable future.

**Fair Value of Financial Instruments**

The carrying amounts of cash and cash equivalents, receivables and other assets approximate fair value. Investments are reported at fair value as of the date of the forecasted combined financial statements. The carrying amount of accounts payable, accrued expenses and other liabilities approximate fair value. Fixed-rate long-term debt is carried at cost net of any unamortized premiums or discounts.

**Benevolent Assistance**

The Communities have a policy of providing benevolent assistance to residents who are unable to pay. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis. Since the Communities do not expect to collect the normal charges for services provided, estimated charges for benevolent assistance are not included in revenue.

**Social Accountability**

The Communities provide building space to several religious organizations and pharmacy school rent free and to a childcare center at a reduced rate.

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Summary of Significant Accounting Policies and Assumptions**

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NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

**Revenues**

*Amortized entry fees:* Residents' entry fees are amortized into revenue based on the actuarially determined remaining life expectancy of the resident, which is estimated to be ten years.

*Service fees:* Forecasted service fee revenues from existing facilities are based on the forecasted utilization of the facility and the service fees assumed to be in effect during the forecast period. The following schedules of fees are currently in effect at the facilities:

**Glenaire, Inc.**

The following schedule summarizes the types of units, entrance fees, and the current monthly or daily fees at Glenaire, Inc.:

| Unit Type                 | Entrance Fees       | Monthly Fees    |               |
|---------------------------|---------------------|-----------------|---------------|
|                           |                     | First Person    | Second Person |
| Independent living studio | \$69,000            | \$2,684         | N/A           |
| One bedroom               | \$133,000-\$166,000 | \$3,144         | \$1,185       |
| One bedroom w/study       | \$177,000           | \$3,676         | \$1,185       |
| Two bedrooms              | \$215,000-\$219,000 | \$3,676         | \$1,185       |
| Two bedrooms w/den        | \$319,000-\$441,000 | \$3,991-\$4,890 | \$1,185       |
| Cottage (2 br) w/ study   | \$311,000-\$429,000 | \$3,809-\$4,217 | \$1,185       |
| Cottage (3 br) w/ study   | \$429,000           | \$4,217         | \$1,185       |
| Health Center:            |                     |                 |               |
| Assisted living           | \$17,650            | \$6,450         | N/A           |
| Nursing                   | \$12,475            | \$334/Day       | N/A           |

Occupancy is forecasted at 96 to 97% in independent living, 82 to 90% in assisted living and 90 to 93% in nursing.

Service fees are forecasted to increase approximately 3.5% to 4.0%.

Management is currently renovating its community center and independent living common space. Glenaire has also purchased an adjacent piece of property and is constructing 192 independent living apartment units, 35 assisted living units, an expanded adult day care center and the programs and services to support the expansion. The construction began in the Fall of 2020 and is projected to be completed and ready for occupancy by July 2023. The current financial projections include the revenues and cost associated with the planned expansion. The projected entry fees for the expansion range from \$395,000 to \$769,000 with monthly service fees ranging from \$4,255 to \$5,599 per month.

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Summary of Significant Accounting Policies and Assumptions**

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NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

**River Landing at Sandy Ridge**

The following schedule summarizes the types of units, entrance fees, and the current monthly or daily fees at River Landing at Sandy Ridge:

| Unit Type              | Entrance Fees       | Monthly Fees    |               |
|------------------------|---------------------|-----------------|---------------|
|                        |                     | First Person    | Second Person |
| Apartments:            |                     |                 |               |
| One bedroom            | \$136,000           | \$3,228         | \$1,404       |
| Two bedroom            | \$188,000           | \$3,969         | \$1,404       |
| Three bedroom          | \$268,000           | \$4,220         | \$1,404       |
| Three bedroom deluxe   | \$351,000           | \$4,751         | \$1,404       |
| Apartments (Hybrid):   |                     |                 |               |
| Two bedroom            | \$340,000-\$392,000 | \$4,289-\$4,405 | \$1,404       |
| Three bedroom          | \$434,000           | \$4,892         | \$1,404       |
| Townhouses:            |                     |                 |               |
| Two bedroom            | \$231,000           | \$3,991         | \$1,404       |
| Three bedroom          | \$304,000           | \$4,264         | \$1,404       |
| Villas:                |                     |                 |               |
| Two bedroom            | \$249,000           | \$4,048         | \$1,404       |
| Three bedroom          | \$320,000           | \$4,316         | \$1,404       |
| Cottages:              |                     |                 |               |
| Two bedroom            | \$304,000           | \$4,153         | \$1,404       |
| Three bedroom          | \$412,000           | \$4,368         | \$1,404       |
| Cottages (Expansion):  |                     |                 |               |
| Two bedroom            | \$365,000           | \$4,369         | \$1,404       |
| Three bedroom          | \$465,000           | \$4,483         | \$1,404       |
| Assisted Living:       |                     |                 |               |
| Studio                 | \$20,000            | \$5,373         | N/A           |
| One bedroom            | \$25,000            | \$6,600         | \$4,948       |
| Skilled nursing        | \$11,500            | \$366/day       | N/A           |
| Alzheimer's healthcare | \$11,500            | \$8,511         | N/A           |

Occupancy is forecasted at 96% in independent living, 93% in assisted living and 83 to 92% in nursing.

Service fees are forecasted to increase approximately 3.5% to 4.0%.

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Summary of Significant Accounting Policies and Assumptions**

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

**Scotia Village**

The following schedule summarizes the types of units, entrance fees, and the current monthly or daily fees at Scotia Village:

| Unit Type                 | Entrance Fees | Monthly Fees    |               |
|---------------------------|---------------|-----------------|---------------|
|                           |               | First Person    | Second Person |
| Apartments:               |               |                 |               |
| Studio                    | \$45,000      | \$2,540         | N/A           |
| Expanded studio           | \$49,000      | \$2,727         | N/A           |
| One bedroom               | \$67,000      | \$2,886         | \$1,044       |
| Expanded one bedroom      | \$83,000      | \$3,040         | \$1,044       |
| Deluxe one bedroom        | \$104,000     | \$3,058         | \$1,044       |
| Two bedroom               | \$138,000     | \$3,363         | \$1,044       |
| Deluxe two bedroom        | \$147,000     | \$3,513         | \$1,044       |
| Expanded two bedroom      | \$186,000     | \$3,642         | \$1,044       |
| Garden Apartments:        |               |                 |               |
| One bedroom               | \$102,000     | \$3,128         | \$1,044       |
| Two bedroom               | \$161,000     | \$3,434         | \$1,044       |
| Expanded two bedroom      | \$165,000     | \$3,756         | \$1,044       |
| Villas:                   |               |                 |               |
| Two bedroom               | \$225,000     | \$3,626         | \$1,044       |
| Three bedroom             | \$265,000     | \$3,748         | \$1,044       |
| Single family home:       |               |                 |               |
| Single family home (2 br) | \$275,000     | \$3,759         | \$1,044       |
| Single family home (3 br) | \$333,000     | \$3,905         | \$1,044       |
| Assisted living:          |               |                 |               |
| Assisted living I         | \$15,000      | \$4,656         | N/A           |
| Assisted living II        | \$20,000      | \$5,438-\$6,242 | \$4,640       |
| Skilled nursing           | \$10,000      | \$309/day       | N/A           |
| Alzheimer's healthcare    | \$10,000      | \$315/day       | N/A           |

Occupancy is forecasted at 92 to 94% in independent living, 89% in assisted living and 78 to 91% in nursing.

Service fees are forecasted to increase approximately 3.5% to 4.0%.

**Other Revenues**

Investment income is based on current rates of return on forecasted investment balances in each year.

Adult day care, food service income, golf course revenue and other revenue sources are forecasted to remain consistent during the forecast period.

Reimbursed medical reflects income on ancillaries in nursing and is forecasted to remain consistent during the forecast period.

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Summary of Significant Accounting Policies and Assumptions**

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NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

**Expenses**

Operating expenses are projected to increase approximately 3% to 3.5% annually.

The provision for depreciation is based on the current depreciation schedule and projected property and equipment additions. The provision is computed on the straight-line method using a 40-year life on buildings, 30-year life on building improvements, 10-year life on furniture and equipment, and 3 years on other equipment.

Financing expenses of \$131,250, \$170,944, \$751,205 and \$1,844,736 incurred in conjunction with issuance of the 2015 bank-qualified debt, the 2016B bonds, the 2016C bonds, and 2020 bonds, respectively, have been deferred and are assumed to be amortized over the respective lives of the issues.

**Nonoperating Gains**

Forecasted amounts from contributions represent estimates of support from the Foundations and other fund-raising efforts.

**Funds Held by Trustee**

A summary of assets (in thousands of dollars) held by the trustee at the end of each year as required by the Loan and Security Agreement is as follows:

|                | <u>2022</u>      | <u>2023</u>      | <u>2024</u>      | <u>2025</u>     | <u>2026</u>     |
|----------------|------------------|------------------|------------------|-----------------|-----------------|
| Interest       | \$ 13,058        | \$ 8,681         | \$ 7,450         | \$ 7,327        | \$ 6,842        |
| Principal      | 827              | 846              | 865              | 885             | 833             |
| Entry Fee Fund | <u>43,209</u>    | <u>56,652</u>    | <u>8,832</u>     | <u>-</u>        | <u>-</u>        |
|                | <u>\$ 57,094</u> | <u>\$ 66,179</u> | <u>\$ 17,147</u> | <u>\$ 8,212</u> | <u>\$ 7,675</u> |

NOTE 4 - LONG-TERM DEBT

For purposes of this combined forecast, it has been assumed that the historical carrying value of long-term debt equals the fair value of such debt.

Long-term debt, consists of the following:

On July 15, 2015, The Presbyterian Homes, Inc. entered into a Loan and Security Agreement with the North Carolina Medical Care Commission pursuant to a \$14,712,108 First Mortgage Revenue Refunding Bond, Series 2015, to refinance part of the Series 2005 and Series 2010 existing indebtedness of The Presbyterian Homes, Inc. This is a single bond which qualifies as Bank Qualified Debt and was purchased by BB&T Bank. Proceeds from this offering have been used to pay the expenses incurred in connection with the issuance of the bonds.

On April 1, 2016, The Presbyterian Homes, Inc. entered into a Loan and Security Agreement with the North Carolina Medical Care Commission pursuant to a \$20,000,000 First Mortgage Revenue Bond, Series 2016, to refinance capital projects. Proceeds from this offering have been used to fund a construction reserve to pay costs related to capital improvements at the Communities, and to pay the expenses incurred in connection with the issuance of the bonds.



**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Summary of Significant Accounting Policies and Assumptions**

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NOTE 4 - LONG-TERM DEBT (Continued)

On September 29, 2016, The Presbyterian Homes, Inc. entered into a Loan and Security Agreement with the North Carolina Medical Care Commission pursuant to a \$48,690,837 First Mortgage Revenue Refunding Bond, Series 2016B, to refinance part of the Series 2006A existing indebtedness of The Presbyterian Homes, Inc. This is a single bond which qualifies as Bank Qualified Debt and was purchased by BB&T Bank. Proceeds from this offering have been used to pay the expenses incurred in connection with the issuance of the bonds.

On September 29, 2016, The Presbyterian Homes, Inc. entered into a Loan and Security Agreement with the North Carolina Medical Care Commission pursuant to a \$29,220,000 bond offering, Series 2016C, to refinance the remaining Series 2006 A and B existing indebtedness of The Presbyterian Homes, Inc. A portion of the proceeds from this offering have been used to pay a portion of the bond maturities due October 1, 2016, to fund a debt service reserve fund for the bonds and to pay the expenses incurred in connection with the issuance of the bonds.

The loan agreements contain certain required deposits, payments and covenants, which include limitations on liens, incurrence of additional indebtedness, certain long-term debt service coverage ratios, occupancy percentage, property transfer restrictions, limitations on use to finance operating deficits, and various other covenants and restrictions. All such required deposits are shown as assets limited as to use under bond agreement and are pledged on the loans.

Security for the bonds consists of a pledge and assignment to the trustee of all rights, title and interest in and to The Presbyterian Homes, Inc., Glenaire, Inc. and The Presbyterian Homes Foundation, Inc.'s ("Obligated Group") promissory notes, which evidences the Obligated Group's obligation to repay the North Carolina Medical Care Commission ("Commission") dated July 15, 2015, April 1, 2016 and September 29, 2016. In addition, the Commission assigned to the Trustee its rights as beneficiary under the Obligated Group's deed of trust, which grants the trustee first priority deed of trust on the site and any buildings or improvements, and assigns its rights as a secured party with respect to its security interest.

The Series 2016 bonds maturing on or after October 1, 2024, 2025 and 2026, are subject to redemption by the Commission, at the direction of the Obligated Group, at an option of 102, 101 and 100% of par value, respectively. Additionally, the terms of the bonds maturing in 2031 and 2036 are subject to mandatory redemption without premium beginning in 2028 and 2032, respectively.

On June 28, 2018, The Presbyterian Homes, Inc. entered into a credit agreement with Branch Banking and Trust Company to finance the expansion and a renovation to the Wellness Center and Healthcare Center at River Landing at Sandy Ridge. The Entrance Fee Project loan, in the amount of \$20,426,000, will be used to finance a portion of the construction of 58 independent living units. The Construction Project Loan, in the amount of \$34,574,000, will be used to finance the costs of various expansion projects including a maintenance/transportation building; a clubhouse with dining facilities, meeting space, and a golf pro-shop; an expansion of the existing wellness space; and renovation of the existing healthcare center to convert the physical layout and spaces to the household model.

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Summary of Significant Accounting Policies and Assumptions**

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NOTE 4 - LONG-TERM DEBT (Continued)

On October 1, 2020, The Presbyterian Homes, Inc. entered into Loan and Security agreements with the North Carolina Medical Care Commission pursuant to a \$96,035,000 First Mortgage Revenue Bond, Series 2020A, and a \$80,000,000 First Mortgage Revenue Bond, Series 2020B to finance capital projects at Glenaire, Inc. The Series 2020A bonds have a final maturity of October 1, 2055. The Series 2020B bonds have a final maturity of October 1, 2025 and will be repaid from the entry fees received from the new independent living units. Proceeds from the debt have been used to fund a construction reserve to pay cost of the expansion and to pay the expenses incurred in connection with the issuance of the bonds.

Bonds payable to the North Carolina Medical Care Commission and Bank Qualified Debt as of October 1, 2021 are expected to be as follows:

|  |                     |
|--|---------------------|
| <b>Series 2015</b>   |                     |
| Fixed rate of 3.42% per annum due July 1, 2031   | <u>\$ 7,093,564</u> |
| <b>Series 2016A</b>  |                     |
| Variable rate swapped to fixed rate of 2.395% due April 1, 2027                                  | <u>\$11,029,850</u> |
| <b>Series 2016B</b>  |                     |
| Variable rate swapped to fixed rate of 2.176% due October 1, 2027                                | <u>\$34,022,728</u> |
| <b>Series 2016C</b>  |                     |
| Term bonds at rates between 3 and 5% due October 1, 2037   | <u>\$29,220,000</u> |
| <b>Construction Loan</b>   |                     |
| Forward rate swap agreement of 4.152% due July 1, 2035   | <u>\$38,458,424</u> |
| <b>Series 2020A</b>  |                     |
| Term bonds at rates between 4 and 5% due October 1, 2055   | <u>\$96,035,000</u> |
| <b>Series 2020B</b>  |                     |
| Entrance Fee Loan at variable rate 79% LIBOR plus 1.0665%<br>subject to a LIBOR floor of 1.4615% | <u>\$ 50,002</u>    |

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Under the terms of the initial contributions that were used to establish the endowments, only the income earned by the assets may be spent. The Investment Committee of the Board of Governors may buy, sell or otherwise change investments, but all proceeds from any sale are required to be reinvested.

NOTE 6 - CURRENT ASSETS AND CURRENT LIABILITIES

Balances in receivables and other assets and payables and accrued expenses are based on balances at September 30, 2021, adjusted for increases in revenues and expenses.

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Summary of Significant Accounting Policies and Assumptions**

NOTE 7 - PROPERTY AND EQUIPMENT

The following table summarizes the activity related to property and equipment during the forecast period as follows (in thousands of dollars):

|                              | 2022              | 2023              | 2024              | 2025              | 2026              |
|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Beginning balance, cost      | \$ 391,378        | \$ 492,073        | \$ 535,371        | \$ 541,394        | \$ 547,016        |
| Purchases:                   |                   |                   |                   |                   |                   |
| Routine                      | 8,196             | 7,315             | 6,023             | 5,622             | 4,226             |
| Glenaire Projects            | 92,500            | 34,888            | -                 | -                 | -                 |
| Scotia Projects              | -                 | 1,095             | -                 | -                 | -                 |
| Property and equipment, cost | 492,074           | 535,371           | 541,394           | 547,016           | 551,242           |
| Accumulated depreciation     | 125,584           | 138,536           | 153,871           | 169,232           | 184,670           |
|                              | <u>\$ 366,490</u> | <u>\$ 396,835</u> | <u>\$ 387,523</u> | <u>\$ 377,784</u> | <u>\$ 366,572</u> |

**Glenaire Projects**

Glenaire, Inc. and The Presbyterian Homes, Inc. is in the process of expanding its Glenaire campus by adding 192 independent living apartments, 35 units of assisted housing (Multi-unit Assisted Housing with Services) and a new Adult Day Care Center for seniors, which is a relocation of our existing center. This expansion is located across the street at 960 Kildaire Farm Road. Amenities such as resident services, environmental services, dining services, maintenance and marketing along with the spaces for each will be provided at this new site. In addition to the expansion of the campus, Glenaire is renovating the main community center of its existing buildings, which will include the main dining room, auditorium, administrative offices and main rotunda. We estimate the total cost of all these projects to be approximately \$190,000,000. The expansion apartments will consist of 36 two bedroom units, 91 two bedroom units with den; 45 two bedroom with den deluxe units; 18 three bedroom units; and 2 units with approximately 2,700 square feet. Construction is estimated to begin in Fall 2020 and to be completed and ready for occupancy by July 2023.

The expansion and renovations are projected to cost \$190,000,000, after a \$8,500,000 projected equity contribution. Project costs were financed with a hybrid of publicly offered bonds and a direct bank placement structure. The \$198,500,000 total project costs include design, engineering, marketing, construction and other development costs related to the project.

The Presbyterian Homes has contributed equity to the project through the purchase of an approximate 10-acre tract of land. This equity contribution totals approximately \$8,500,000. It is also assumed that any costs incurred above \$190,000,000 will be in the form of an equity contribution to the project. This equity contribution comes from reserves of the Organization.

Project costs:

|   |                       |
|---|-----------------------|
| Land  | \$ 8,500,000          |
| Construction and Site Work cost, related to the project | 161,000,000           |
| Contingency   | 8,050,000             |
| Architectural and Engineering expenses                  | 6,675,000             |
| Furniture, Fixtures and Equipment                       | 11,897,000            |
| Permits, Surveys and Other expenses                     | 2,222,000             |
| Miscellaneous   | 156,000               |
|   | <u>\$ 198,500,000</u> |

**THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES**  
**Summary of Significant Accounting Policies and Assumptions**

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NOTE 8 - EXPENSES BY NATURE AND FUNCTION

Expenses by nature and functions (excluding depreciation and amortization, bond and note interest) consist of the following for the forecasted periods:

|                                     | 2022             | 2023             | 2024             | 2025             | 2026             |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Salaries and wages                  | \$ 34,040        | \$ 36,652        | \$ 42,586        | \$ 44,062        | \$ 45,571        |
| Payroll taxes and employee benefits | 7,023            | 7,561            | 8,786            | 9,090            | 9,402            |
| Supplies                            | 3,084            | 3,320            | 3,858            | 3,991            | 4,128            |
| Contracted outside services         | 1,793            | 1,930            | 2,243            | 2,320            | 2,400            |
| Raw food and nourishments           | 4,224            | 4,548            | 5,284            | 5,467            | 5,654            |
| Repairs and maintenance, equipment  | 364              | 392              | 456              | 471              | 487              |
| Repairs and maintenance, buildings  | 1,176            | 1,267            | 1,472            | 1,523            | 1,575            |
| Repairs and maintenance, grounds    | 417              | 450              | 522              | 540              | 559              |
| Gas                                 | 211              | 227              | 263              | 273              | 282              |
| Electricity                         | 1,460            | 1,572            | 1,826            | 1,890            | 1,954            |
| Water                               | 658              | 709              | 823              | 852              | 881              |
| Telephone                           | 138              | 149              | 173              | 179              | 185              |
| Dues and subscriptions              | 142              | 153              | 178              | 184              | 191              |
| Insurance, general                  | 1,032            | 1,111            | 1,291            | 1,336            | 1,382            |
| Printing                            | 191              | 205              | 239              | 247              | 255              |
| Promotions                          | 243              | 262              | 305              | 315              | 326              |
| Postage                             | 66               | 71               | 82               | 85               | 88               |
| Legal and accounting                | 140              | 150              | 175              | 181              | 187              |
| Consultant's fees                   | 567              | 610              | 709              | 733              | 758              |
| Travel and seminars                 | 193              | 208              | 241              | 250              | 258              |
| Employee recruitment and retention  | 262              | 282              | 327              | 339              | 350              |
| Meetings and special events         | 102              | 110              | 128              | 132              | 137              |
| Purchased medical                   | 2,670            | 2,670            | 2,670            | 2,670            | 2,670            |
| Outside services                    | 1,266            | 1,363            | 1,584            | 1,639            | 1,695            |
| Rent, buildings and equipment       | 145              | 156              | 182              | 188              | 194              |
| Miscellaneous                       | 286              | 309              | 356              | 370              | 385              |
| Total expenses by function          | <u>\$ 61,893</u> | <u>\$ 66,437</u> | <u>\$ 76,759</u> | <u>\$ 79,327</u> | <u>\$ 81,954</u> |

Expenses by function for the forecasted periods is expected to be utilized by nature as 40% for direct services and 60% for general and administration.

**Glenaire, Inc.**

An Affiliate of The Presbyterian Homes, Inc.

**RESIDENCE AND CARE AGREEMENT**

THIS RESIDENCE AND CARE AGREEMENT (“Agreement”), is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between

resident(s) of \_\_\_\_\_ County, State of \_\_\_\_\_, hereinafter referred to as “Resident” (if husband and wife, or two other persons enter into this Agreement, the term “Resident” shall apply to them collectively unless the context otherwise requires) and GLENAIRE, INC., a North Carolina non-profit corporation, hereinafter referred to as “Corporation.”

**WITNESSETH:**

WHEREAS, Corporation is affiliated with The Presbyterian Homes Inc. (the “Parent”). The Presbyterian Homes, Inc. is associated with the Synod of the Mid-Atlantic of the Presbyterian Church (U.S.A.) (the “Synod”) by a covenant relationship. The covenant relationship provides that the Synod on behalf of the church offers its encouragement in The Presbyterian Homes, Inc.’s ministry. The Presbyterian Homes, Inc. affirms its purpose and commitment to its mission of services to older adults on behalf of the church; and

WHEREAS, the Resident agrees to pay to Corporation an initial entrance fee and other fees upon the terms and conditions as provided in this Agreement; and

WHEREAS, Corporation, in consideration of the foregoing and the execution of this agreement by Resident, agrees that the Resident may occupy a Living Accommodation (as hereafter defined) for residential purposes only at the continuing care retirement community known as “Glenaire” located at 4000 Glenaire Circle, Cary North Carolina (hereafter "Glenaire") and Resident may use and enjoy the facilities, programs and services provided at Glenaire subject to the terms and conditions of this Agreement; and

WHEREAS, Corporation is certified in the Medicare/Medicaid Programs, Corporation reserves the right to withdraw from one or both programs if deemed advisable by Corporation. Additionally, the provisions of this Agreement are subject to changes in State and Federal Law, as may be applicable.

NOW, THEREFORE, Resident and Corporation agree as follows:

**1. ACCOMMODATIONS AND SERVICES**

Subject to the terms and conditions set forth in this Agreement including Corporation’s right to change such Living Accommodation as provided herein, Corporation agrees to provide the Resident the Living Accommodation, services and programs at Glenaire described as

follows:

(a) **Living Accommodation.**

Type: \_\_\_\_\_

Residence Number: \_\_\_\_\_

Description: \_\_\_\_\_

(b) **Utilities.** Corporation will furnish heating, air conditioning, water, sewer, electricity, and trash removal to all Residents in apartment buildings. Residents in cottages will be responsible for the cost of heating, air conditioning, and electricity. The Resident is responsible for any telephone installation charge and the cost of telephone services.

(c) **Furnishings.** Corporation will provide standard flooring in the Living Accommodation, a television system, emergency signal equipment, and other fixtures and appliances as described in the literature published by Corporation regarding Glenaire. All other furniture and furnishings for the Living Accommodation shall be provided by the Resident.

(d) **Meals.** Corporation will make available to Residents three nutritionally well-balanced meals each day. Corporation provides a meal allowance to each Resident in Independent Living which is subject to change from time to time as determined by Corporation. The meal allowance is included in the Monthly Charge. The amount of the meal allowance for each Resident may vary depending on where the Resident resides in Independent Living. The meal allowance will be charged each month based on meals consumed by the Resident at the current prevailing meal prices as published or posted for Residents. If Resident exceeds the meal allowance in any given month, the additional cost incurred by Resident above the current meal allowance will be added to Resident's next monthly statement in addition to the standard Monthly Charge. Any unused portion of the meal allowance remaining at the end of any month is forfeited and cannot be carried over to subsequent months. An extra charge may be made at Corporation's discretion for special dietary meals.

In the event the Resident resides outside Corporation's facilities for a period of fourteen (14) or more consecutive days, Corporation shall provide a meal credit beginning with the 15<sup>th</sup> day. The amount of credit shall be determined by Corporation.

(e) **Housekeeping Services.** Corporation will provide housekeeping services such as vacuum cleaning, dusting, cleaning of baths and kitchens, and trash removal on a weekly basis.

(f) **Laundry.** Corporation will change Resident's bed and bath linens on a regular basis. Convenient laundry facilities will be provided free of charge for personal laundry.

- (g) **Maintenance and Repairs.** Corporation will maintain and keep in repair the improvements, furnishings and equipment owned by Corporation. The Resident will be responsible for the cost of repairing any damage to property of Corporation caused by the negligence or other act of the Resident or any guest or invitee of the Resident, ordinary wear and tear excepted. Any structural or physical change or redecoration of any kind to the Living Accommodation will require the written approval of Corporation.

The cost of any change, including any subsequent cost to return the Living Accommodation to its original condition in the event of such change, or cost of redecoration, will be paid by the Resident upon ten (10) days written notice. Any such improvement or change will be owned by Corporation and will not be considered in determining the amount of any refund to the Resident upon termination of this Agreement.

- (h) **Groundskeeping.** Corporation will furnish basic groundskeeping service for the grounds of Glenaire, including lawn, tree, and shrubbery care. Subject to approval by Corporation, Resident may plant and maintain certain areas designated by Corporation for such purpose.
- (i) **Parking.** Corporation will provide parking areas for the Residents' personal vehicle (limited to one vehicle for each individual Resident) and parking for guests.
- (j) **Common Facilities.** Corporation will provide common facilities for the use and benefit of all Residents such as a central dining room, central kitchen, living room, post office, multi-purpose room, Chapel, lounges, and sitting areas.
- (k) **Transportation.** Corporation will provide limited local transportation for residents on a regular, scheduled basis. Certain charges may apply depending on the destination. Additional charges may be made for transportation for special, personal, or group trips.
- (l) **Activities.** Social, recreational, spiritual, educational, and cultural activities will be planned for the Residents.
- (m) **Nursing and Health Care.** Corporation will provide nursing and health care for each Resident as follows:
- (i) A Health Center will be provided for the benefit of the Residents. The Health Center will consist of accommodations, equipment, and staffing necessary for assisted living and skilled nursing care. The Corporation will use its best efforts to provide private accommodations when available when the Resident requires assisted living care. Depending on availability, private or semi-private accommodations will be provided when the Resident requires skilled nursing care. Notwithstanding the foregoing, Corporation reserves the right

from time to time to temporarily place Resident in reasonably comparable healthcare facilities outside of Glenaire in the event either assisted living or skilled nursing accommodations are not currently available due to demand.

- (ii) A twenty-four (24) hour nursing staff will be maintained in the Health Center. The Health Center is staffed to provide general duty nursing care which means that nurses and other staff must attend to multiple residents with various needs. The nursing care is not intended to provide individual attention to any one specific Resident on a regular basis or for prolonged periods of time. The Resident, subject to approval of Corporation, is responsible for acquiring (hiring, termination, and compensation) the assistance of private duty sitters or nurses if the Resident requires or prefers individual and/or full-time care and assistance. Private duty sitters, nurses, or other third parties hired by Resident must abide by all rules and regulations of the Corporation and Corporation reserves the right to bar any such parties from Corporation's facilities at any time.
- (iii) The overall coordination and provision of health care services by Corporation will be provided by a Medical Director who will be a licensed physician selected by Corporation.
- (iv) Charges for Health Care accommodations and services in this Paragraph shall be set forth in Paragraph 2(e) of this Agreement. Other health care services will be made available to the Resident at the Resident's expense including, but not limited to, pharmacy services, laboratory tests, physical therapy, occupational therapy, and rehabilitative treatments.
- (v) Glenaire has open staff privileges and a Resident may select a duly licensed physician of their choice; however, a Medical Director is provided by the facility for those wishing to use their services. Resident is responsible for all charges for services provided by the Medical Director or any other physicians.
- (vi) Residents have the right by law (NC General Statute 90-21.16(6)) to elect the officially recognized "Do Not Resuscitate Order" as certified by the Resident's attending physician.

## 2. FINANCIAL ARRANGEMENTS

- (a) **Entrance Fee Options.** Resident agrees to pay Corporation an Entrance Fee as a condition of becoming a Resident at Glenaire. Resident shall choose one of the following options, amounts, and amortization schedules as to the Entrance Fee to be paid:

| Entrance Fee Option | Amount of Entrance Fee | Amortization Schedule |
|---------------------|------------------------|-----------------------|
|---------------------|------------------------|-----------------------|



|                   |          |  |
|-------------------|----------|--|
| 1. Standard       | \$ _____ | 2% per month for 48 months less a 4% non-refundable fee  |
| 2. 50% Refundable | \$ _____ | 2% per month for 23 months less a 4% non-refundable fee. Refund never less than 50%, except for those possible offsets and reductions described in this Agreement. |
| 3. 90% Refundable | \$ _____ | 1% per month for 6 months less a 4% non-refundable fee. Refund never less than 90%, except for those possible offsets and reductions described in this Agreement.  |

Resident agrees to pay Corporation an Entrance Fee deposit of \$ \_\_\_\_\_ which shall be ten percent (10%) of the required Entrance Fee as designated above. The Entrance Fee deposit will be due and payable upon signing of this Agreement. The balance of the Entrance Fee will be due and payable no later than ten (10) days prior to Residents projected Admission Date. Residents projected Admission Date is \_\_\_\_\_, 20\_\_\_\_. Resident must take occupancy of the Living Accommodation no later than **thirty (30)** days after the projected Admission Date.

- (b) **Monthly Charge.** In addition to the Entrance Fee and any other charges provided for under this Agreement, Resident agrees to pay a monthly charge during the term of this Agreement which shall be payable in advance by the 15<sup>th</sup> day of each month ("Monthly Charge"). As of the date of this Agreement, Corporation projects that the Monthly Charge associated with the Living Accommodation will be approximately \$ \_\_\_\_\_ per month, and an additional \$ \_\_\_\_\_ per month if a second Resident occupies the Living Accommodation. The Monthly Charge may be adjusted by Corporation prior to occupancy of the Living Accommodation by the Resident if changes in the projected costs of providing the services at Glenaire so require. The Monthly Charge is also subject to change during the term of this Agreement as described in Paragraph 2(c) below.
- (c) **Adjustments in the Monthly Charge.** The Monthly Charge is assessed to provide the Living Accommodations, facilities, meals, programs and services described in this Agreement and is intended to meet the cost of insurance, maintenance, administration, staffing, and other expenses including debt service associated with the operation and management of Corporation and Glenaire. Corporation shall have the authority to adjust the Monthly Charge from time to time during the term of this Agreement as Corporation in its discretion deems necessary in order to reflect changes in the costs of providing the facilities, programs and services described herein consistent with operating on a sound financial basis and maintaining the

quality of services called for herein. Corporation shall have the right to adjust the Monthly Charge pursuant to this Agreement notwithstanding Resident's voluntary or involuntary absence from the facility. In the event that it should be determined that Corporation is required to pay ad valorem taxes upon its property, the Monthly Charge may be adjusted to reflect the amount of such taxes. Any increase in the Monthly Charge may be made by Corporation upon thirty (30) days written notice to the Resident. In the event Resident resides outside of Corporation's facilities for a period of fourteen (14) or more consecutive days, Corporation shall provide credit for meals. The amount of credit shall be determined by Corporation in its sole discretion.

(d) **Monthly Statement.** Corporation will furnish the Resident with a monthly statement on or about the tenth of the month showing the total amount of fees and other charges owed by the Resident, which shall be payable by the 15<sup>th</sup> day of the month. Corporation may charge interest at the rate of 1½% per month (18% APR) or the maximum annual rate as allowed by law on any unpaid balance owed by the Resident thirty (30) days after the monthly statement is furnished.

(e) **Health Center Fees and Charges**

(i) Corporation shall establish and publish per diem rates for accommodations and services in the Health Center, such rates will take into account rates being charged in other comparable nursing centers and the costs of operation of Glenaire.

(ii) If a Resident is transferred to the Health Center for nursing care, Resident shall continue to pay the Monthly Charge associated with the type of Living Accommodation described in Paragraph 1(a) of this Agreement for the first 14 days (whether or not consecutive) of occupancy (to be known as "grace days") in the Health Center each year (the term "year" as used herein means each applicable calendar year during the continuance of this Agreement). During such 14-day period ("grace days"), the Resident will not be required to pay a per diem charge for occupancy in the Health Center but shall pay for other services not normally covered by the Monthly Charge or by the per diem charge for Residents. Credit for any unused portion of the 14 "grace days" per year may not be carried forward to successive years. However, in those circumstances where Resident has insurance (including but not limited to Medicare) that will pay the per diem charge for occupancy in the Health Center, Resident shall first be required to use all applicable insurance benefits to satisfy the customary per diem charge for occupancy prior to the application of any grace days in any given year.

(iii) In the event that a Resident shall occupy an accommodation for nursing care within the Health Center for more than 14 "grace days" in any year, then upon the expiration of such 14 "grace days", Resident shall thereafter pay 80 percent of the amount of the published per diem rate for nursing care accommodation

occupied by the Resident, plus charges for other services not included in such per diem rate. Following the 14 “grace days”, the Resident shall have the option of surrendering the Living Accommodation, at which time the Monthly Charge shall be terminated. If the Living Accommodation is not surrendered, the Resident shall be responsible for both the Living Accommodation Monthly Charge and the applicable per diem rate for the nursing care accommodations. The Resident shall have no right to occupy the Living Accommodation more than ninety (90) days after the expiration of the 14 “grace days” without the approval of Corporation and Resident agrees to surrender the Living Accommodation to Corporation upon request on or after such ninety (90) day period unless otherwise approved by Corporation. If required to vacate the Living Accommodation, as determined in the sole discretion of Corporation, Resident agrees to fully cooperate in relocating his/her personal property and effects from such residence. Should Corporation subsequently determine upon the opinion of the Medical Director and the Executive Director of Glenaire that Resident can resume occupancy in a residential living accommodation, the Resident will have priority to a comparable accommodation, as determined by Corporation, as soon as it becomes available. When one of two Residents occupying the same Living Accommodation is transferred to the Health Center, the Resident remaining in the Living Accommodation shall continue to pay the Monthly Charge in effect associated with such Living Accommodation based on single occupancy.

- (f) **Non-Refundable Pet Fee.** Resident agrees to abide by Glenaire’s rules and regulations concerning pets as amended or adopted from time to time. Resident agrees that if Resident is entitled to have a pet in their Living Accommodation and elects to do so, Resident agrees to pay Corporation a \$500.00 non-refundable pet fee (“Pet Fee”) for purposes of refurbishing the Living Accommodation after termination of this Agreement. The Pet Fee shall be due and payable at the time Resident is required to pay the balance of their Entrance Fee.

### 3. **ADMISSIONS REQUIREMENTS**

A Resident will become qualified for admission to Glenaire upon satisfaction of the following provisions:

- (a) **Age.** The admission requirements for residence at Glenaire are nondiscriminatory except as to age, and Glenaire is open to both married and single men and women of all races and religions and without regard to place of former residence. Admission is restricted to persons sixty-two (62) years of age or older, except that in the case of a married couple or roommates, one spouse / roommate must have attained the age of at least sixty-two (62) years old and the other spouse / roommate must have attained the age of at least fifty-five (55) years old.
- (b) **Personal Interview.** Resident agrees to interview with representatives of Glenaire

prior to consideration for residency at Glenaire. Upon review of all information required to be furnished under this Agreement, additional personal interviews may be requested by Corporation and Resident agrees to fully cooperate with Corporation's representatives and employees during such process.

- (c) **Application, Health History, and Financial Statement.** Resident shall submit within 30 days of execution of this Agreement for review by the Admissions Committee appointed by Corporation, an Application for Admission, a Personal Health History, and a Confidential Financial Statement, all on forms furnished by Corporation. During the term of this Agreement, Corporation reserves the right to require Resident and Resident agrees to provide Corporation with an updated Confidential Financial Statement within 60 days upon written request, provided however, Corporation will not require Resident to provide an updated Confidential Financial Statement more than one time in any 12 month period.
- (d) **Notification.** Corporation shall review the Application for Admission, the Personal Health History, the Confidential Financial Statement, and the results of the personal interviews and will notify Resident whether Resident meets the admission requirements as determined in Corporation's sole discretion. If Resident does not meet Corporation's admissions requirements, this Agreement shall be null and void and Resident shall receive a refund of any Entrance Fee deposit previously paid.
- (e) **Health Requirements.** Prior to admission for residency at Glenaire, Resident shall submit a report of a physical examination of the Resident made by a physician selected by the Resident within sixty (60) days of the projected occupancy date. Such report shall include a statement by such physician that the Resident is in good health and is able to take care of himself or herself in normal living activities. Corporation may require the Resident to have another physical examination by the Medical Director or by another physician approved by Corporation. The Resident shall be responsible for the costs of such physical examinations. If the health of Resident as disclosed by such physical examination differs materially from that disclosed in any Resident's Application for Admission or Personal Health History, Corporation shall have the right to decline admission of the Resident and/or to terminate this Agreement, or at the discretion of Corporation, permit Resident to take occupancy at Glenaire in suitable accommodations to the needs of Resident.
- (f) **Financial Requirements.** The Resident must have assets and income which will be sufficient under foreseeable circumstances to pay the financial obligations of the Resident under this Agreement and to meet ordinary living expenses of the Resident. Corporation may require the Resident to furnish current financial information at any time prior to occupancy.
- (g) **Representations.** The Resident affirms that the representations made in the Application for Admission, Personal Health History and Confidential Financial Statement are true, correct, and complete and will be relied upon by Corporation as a

basis for entering into this Agreement.

#### 4. TERMS OF RESIDENCY

- (a) **Rights of Resident.** The Resident has the right to occupy and enjoy the Living Accommodation described in Paragraph 1(a) of this Agreement subject to Resident's transfer to the Health Center pursuant to Paragraphs 2(e) and 5(a), or the termination provisions of this Agreement, or any other term or condition of this Agreement. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by Corporation other than the right to use or occupy the Living Accommodation in accordance with the terms hereof. The Resident agrees that the rights of the Resident under this Agreement are subject to and subordinate to the rights of a lender under any mortgage or deed of trust now or hereafter executed by Corporation or its affiliates creating a lien on any property of Corporation.
- (b) **Rules and Regulations.** The Resident will abide by Corporation's rules and regulations and such reasonable amendments, modifications, and changes of the rules and regulations as may hereafter be adopted by Corporation in the exercise of its sole discretion. . Resident acknowledges that the Corporation has a "Tobacco Free Campus Policy" which prohibits the use of tobacco products anywhere on the Corporation's campuses including Resident's Living Accommodation.
- (c) **Changes in Living Accommodations.** Corporation has the right to change the Living Accommodation to meet the requirements of any applicable statutes, laws, rules or regulations. The Living Accommodation may not be used in any manner in violation of any zoning ordinances or other governmental law or regulation.
- (d) **Visitors.** Except for short term visitors or guests, no person other than the Resident may reside in the Living Accommodation without the written approval of Corporation.
- (e) **Loss of Property.** Corporation shall not be responsible for the loss of any property belonging to the Resident due to theft, mysterious disappearance, fire or any other cause. It is understood that the Resident will have the responsibility of providing any desired insurance protection covering any such loss.
- (f) **Occupancy by Two Residents.** In the event that two Residents occupy a Living Accommodation under the terms of this Agreement, upon the permanent transfer to the Health Center or the death of one such Resident, or in the event of the termination of this Agreement with respect to one of such Resident, the Agreement shall continue in effect as to the remaining or surviving Resident. The remaining Resident may request a transfer to another type of living accommodation, subject to availability, pursuant to Paragraph 5(e) of this Agreement. The remaining or surviving Resident will thereafter pay the Monthly Charge for one Resident associated with the independent Living Accommodation occupied by the Resident.

- (g) **Medical Insurance**. The Resident shall maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to Corporation with evidence of such coverage to be provided to Corporation upon execution of this Agreement and thereafter from time to time upon request.
- (h) **Marriage During Occupancy**. If a Resident while occupying a Living Accommodation marries another Resident or elects to share a Living Accommodation with a person who is also a Resident, the two Residents may occupy the Living Accommodation of either Resident and shall surrender the Living Accommodation not to be occupied by them. No refund will be payable with respect to the Living Accommodation surrendered. Such Residents will pay the Monthly Charge for double occupancy associated with the Living Accommodation occupied by them. In the event that a Resident shall marry or elect to share a Living Accommodation with a person who is not a Resident of Glenaire, the non-resident spouse/cohabitant may become a Resident if such spouse/cohabitant meets all of the then current requirements for admission to Glenaire, enters into a then current version of the Residence and Care Agreement with Corporation and pays an Entrance Fee in an amount determined by Corporation in its discretion but in any event no more than two-thirds (2/3) of the then current Entrance Fee associated with the type of Living Accommodation to be occupied by the Resident and non-resident spouse/cohabitant. If the Resident's spouse/cohabitant shall not meet the requirements of Glenaire for admission as a Resident, the current Resident may terminate this Agreement pursuant to Paragraph 7.
- (i) **Right of Entry**. Resident hereby authorizes Corporation, including its employees and agents of Glenaire, to enter the Living Accommodation for purposes of housekeeping, repairs, maintenance, inspection, and in the event of an emergency.

## 5. TRANSFER OR CHANGES IN LEVELS OF CARE

- (a) **Transfer to Health Center**. The Resident agrees that Corporation shall have the authority to determine whether the Resident should be transferred from the Resident's Living Accommodation to the Health Center or from one level of care to another level of care within the Health Center. Such determination shall be based on the professional opinion of Glenaire's Medical Director and the Executive Director of Glenaire and shall be made only after consultation to the extent practical with the Resident, a representative of the Resident's family or the sponsor of the Resident, and Resident's attending physician.
- (b) **Transfer to Hospital or Other Facility**. If it is determined that the Resident needs care beyond that which can be provided by the facility and personnel of Glenaire, the Resident may be transferred to a hospital, center or institution equipped to give such care, which care will be at the expense of the Resident. Such transfer of the Resident

will be made upon orders from Glenaire's Medical Director after consultation to the extent possible with the Resident, a representative of the Resident's family or the sponsor of the Resident, and the Resident's attending physician.

- (c) **Surrender of Living Accommodation.** If a determination is made by Corporation that any transfer described in Paragraph 5(a) or 5(b) is permanent, the Resident agrees to surrender the Living Accommodation or the accommodation in the Health Center occupied by the Resident upon 30 days prior written notice from Corporation to Resident. If Corporation subsequently determines upon the opinion of the Medical Director and the Executive Director that the Resident can resume occupancy in accommodations comparable to those occupied by the Resident prior to such transfer, the Resident shall have priority to such accommodations as soon as they become available.
- (d) **No Refund for Changes in Levels of Care.** Resident acknowledges and agrees that any transfer from one level of care to another within Glenaire (including without limitation a transfer from Resident's current Living Accommodation to assisted or skilled nursing) shall not be deemed a termination of this Agreement nor entitle Resident to a refund or partial refund of their Entrance Fee.
- (e) **Requests for Moves Within Independent Living.** The Corporation will evaluate and consider a Resident's request to move from one Living Accommodation to another within Independent Living. The determination to allow a Resident to move is within the sole discretion of the Corporation.

## 6. **RIGHT OF RESCISSION**

- (a) **First Thirty Days.** Notwithstanding anything herein to the contrary, Resident may rescind this Agreement within thirty (30) days following the execution of this Agreement (the "Rescission Period"), in which event Resident shall receive a refund of any money paid to Corporation except for any such other nonstandard charges the Resident and Corporation agree in advance shall be nonrefundable. Resident acknowledges that he/she has received, prior to execution of this Agreement, a copy of Glenaire's current Disclosure Statement that meets the requirements of Section 58-64-20, et seq. of the North Carolina General Statutes. Resident is not required to move into the Living Accommodation before the expiration of the Rescission Period. If Resident moves into the Living Accommodation during the Rescission Period and rescinds this Agreement during such thirty (30) day period, Resident will receive a refund of any money paid to Corporation less a service charge as follows:
  - (i) **Entrance Fee.** Resident shall receive a refund of the Entrance Fee paid to Corporation less a service charge as determined by Corporation not to exceed the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee.

- (ii) **Monthly Charge.** Resident's refund shall be further reduced by the prorated Monthly Charge applicable for the period Resident occupied his/her Living Accommodation.
- (iii) **Nonstandard Costs.** Resident's refund shall be further reduced by any nonstandard costs, if any, specifically incurred by Corporation at the request of Resident consistent with terms and conditions of this Agreement.

Any refund due under this paragraph 6(a), shall be paid within sixty (60) days of termination of this Agreement.

## 7. **TERMINATION AND REFUND PROVISIONS**

- (a) **Termination After Rescission Period, Prior to Occupancy.** This Agreement may be terminated by Resident at any time for any reason prior to Resident taking occupancy at Glenaire and after the Rescission Period as set forth in Paragraph 6 by Resident giving written notice to Corporation. This Agreement may be terminated by Corporation at any time prior to the date that the Resident takes occupancy if Corporation determines that the Resident does not meet the physical, mental, or financial requirements for admission. In the event of such termination, Resident shall receive a refund of the Entrance Fee paid by the Resident, less four percent (4%) of the total Entrance Fee as described in Paragraph 2(a) which is the nonrefundable portion of the Entrance Fee: However, if the Resident or the Resident's spouse or roommate dies prior to occupancy, or if on account of illness, injury, incapacity, or financial reversal is precluded from occupying the living accommodation, the contract is automatically terminated. In the event of such termination the full amount of the Entrance Fee paid will be refunded. Any refund due under this paragraph 7(a), shall be paid within sixty (60) days of termination of this Agreement.
- (b) **Termination During Residency Trial Period.** The first sixty (60) days of residency at Glenaire will be considered to be on a trial basis. During such sixty (60) day period, the Resident will have the right to terminate this Agreement by giving Corporation written notice of such termination and Resident shall receive a refund of the Entrance Fee paid less four percent (4%) thereof as a non-refundable fee. During such sixty (60) day period, Corporation shall have the right to terminate this Agreement based on Corporation's determination that Resident's physical or mental condition or emotional adjustment will not permit adaptation to the living environment at Glenaire. In the event of such termination by Corporation as previously described, Corporation will refund the full Entrance Fee Resident paid to Corporation within sixty (60) days after the Living Accommodation has been vacated.
- (c) **Termination After Trial Period.** At any time after the expiration of the first



sixty (60) days of residence at Glenaire, the Resident may terminate the Agreement by giving Corporation thirty (30) days prior written notice of such termination. In the event of such termination, the Resident may be entitled to receive a partial refund. Any partial refund shall be determined and paid as follows: Resident shall receive a refund in an amount equal to the Entrance Fee paid to Corporation less the applicable Amortization percentage set forth in Paragraph 2(a) for the type of Entrance Fee Option selected by Resident thereof for each full calendar month or portion thereof which has elapsed from Resident's Admission Date to the effective date of termination and less four percent (4%) which is the nonrefundable portion of the Entrance Fee. For avoidance of doubt, all Entrance Fee refunds are calculated assuming and based upon full calendar months. Any portion of a calendar month (whether relating to the month of Resident's Admission Date or the month of Resident's termination date of this Agreement) shall be deemed to be full and separate calendar months for purposes of calculating any Entrance Fee refund. The refund shall be made in accordance with the terms set forth in Paragraph 7(f) below. Subject to Paragraph 7(g), Residents who selected the 50% or 90% Refund Option shall receive a refund of no less than 50% or 90%, as applicable, of the Entrance Fee paid to Corporation.

- (d) **Termination Upon Death.** This Agreement shall automatically terminate upon the death of the Resident, provided, however, in the event that two Residents occupy a Living Accommodation under the terms of this Agreement, the Agreement shall continue in effect as to the remaining or surviving Resident. A refund, if applicable, shall be determined in accordance with Paragraph 7(c) above and shall be paid to the Estate of the Resident in accordance with Paragraph 7(f) below.
- (e) **Termination By Corporation.** Corporation may terminate this Agreement at any time if there has been a material misrepresentation or omission made by the Resident in the Resident's Application for Admission, Personal Health History or Confidential Financial Statement; if a material change in the Resident's health takes place before occupancy (Admission Date); if the Resident fails to make payment to Corporation of any fees or charges due Glenaire within sixty (60) days of the date when due; if the Resident does not abide by the rules and regulations adopted by Corporation as determined by Corporation; or Resident breaches any of the terms and conditions of this Agreement. In the event of termination for any of such causes the Resident may be entitled to a partial refund of the Entrance Fee paid by the Resident determined in accordance and paid in the same manner as provided in Paragraph 7(c) above.
- (f) **Refund After Living Accommodation Reserved.** Any refund due the Resident under Paragraphs 7(c), 7(d), or 7(e) above will be made at such time as such Resident's Living Accommodation shall have been reserved by a prospective Resident and such prospective Resident shall have paid to Corporation such prospective Resident's Entrance Fee. No interest shall be due or payable on any amount refunded pursuant to this Paragraph 7.

- (g) **Monthly Charge & Nonstandard Costs.** Resident's refund under Paragraphs 7(a) through 7(e) shall be reduced and offset by the amount of all unpaid Monthly Charges and other amounts due and owing Corporation applicable for the period Resident occupied his/her Living Accommodation. Resident's refund shall also be reduced by any nonstandard costs, if any, specifically incurred by Corporation at the request of Resident consistent with terms and conditions of this Agreement. Notwithstanding the termination of this Agreement, Resident (including a deceased Resident) shall be deemed to occupy their Living Accommodation so long as Resident's possessions remain in their Living Accommodation and Resident's Monthly Charge shall continue to accrue as normal. In the event of the death of a Resident, Resident's family or sponsor shall have no more than sixty (60) days to remove Resident's possessions from the Living Accommodation.
- (h) **Condition of Accommodation.** At the effective date of termination of this Agreement, the Resident shall vacate the Living Accommodation and shall leave it in good condition except for normal wear and tear. The Resident shall be liable to Corporation for any cost incurred in restoring the Living Accommodation to good condition, except for normal wear and tear, and such cost may at the election of Corporation be offset against any refund due, if any.
- (i) **Additions and/or Renovations to Facility; Facility Closing.** From time to time, Corporation may require additions and/or renovations to the Glenaire facility. Corporation will use reasonable efforts to minimize the disturbance to its residents, provided however, Resident agrees to cooperate with Corporation in such efforts and if necessary relocate to substantially comparable living accommodations under the terms and conditions of this Agreement. In addition, if it shall become necessary to close or otherwise cease ordinary operations at the Glenaire facility, as determined in the sole discretion of Corporation's management, Resident agrees to allow Corporation to relocate Resident to substantially comparable facilities managed by Corporation within the same general locality and Resident agrees that this Agreement shall remain in full force and effect with respect to such continuing care retirement facility. Resident agrees that any transfer of residency under this paragraph 7(i) shall not cause a termination of this Agreement nor entitle Resident to a full or partial refund of their Entrance Fee.

## 8. FINANCIAL ASSISTANCE

- (a) **Policy.** Corporation declares that it is the policy of Corporation that this Agreement will not be terminated solely because of the Resident's financial inability to continue to pay the Monthly Charge or other charges payable hereunder by reasons of circumstances beyond the Resident's control, provided, however, this declaration shall not be construed as qualifying the right of Corporation to terminate this Agreement in accordance with the terms hereof. In the event that a Resident presents facts which in the sole opinion of Corporation justify special financial consideration, Corporation will give careful consideration to subsidizing in whole or in part the

Monthly Charge and other charges payable by the Resident hereunder so long as such subsidy can be made without impairing the ability of Corporation to attain its objectives while operating on a sound financial basis. Any determination by Corporation with regard to the granting of financial assistance shall be within the sole discretion of Corporation as set forth under a separate written agreement between Corporation and the Resident regarding such financial assistance. If Corporation requests, Resident agrees to apply for Medicaid, public assistance, or any other reasonably available public benefit program to offset Resident's Monthly Charge or other charges payable hereunder.

- (b) **Endowment.** Corporation has an endowment fund, the income of which will be used to assist Residents who would otherwise not be able to live at Glenaire because of financial considerations. The income from such fund may be used for the purposes of providing financial assistance in accordance with the provision of this section.

## 9. MISCELLANEOUS PROVISIONS

- (a) **Will, Durable Power of Attorney.** Resident is responsible for having made and executed a valid will providing for the distribution of his/her assets and personal effects, such will or other document of instruction shall include adequate provisions regarding proper burial or cremation. Resident shall notify the Executive Director of Glenaire as to the name, address, and telephone number of his/her personal representative. Resident further agrees to execute a valid continuing durable Power-of-Attorney and a health care Power-of-Attorney. Resident shall notify the Executive Director as to the name, address, and telephone number of such designated Attorney(s)-in-Fact.
- (b) **Assignment.** The rights and privileges of the Resident under this Agreement to the facilities, services and programs of Glenaire are personal to the Resident and may not be transferred or assigned by the Resident or otherwise. Corporation reserves the right to transfer or assign this Agreement without the consent of Resident. Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of Corporation and the heirs, executors, personal representatives, any Attorney-In-Fact, and administrators of the Resident.
- (c) **Management of Glenaire.** The absolute rights of management of Glenaire are reserved by Corporation, its Board of Governors and its administrators as delegated by said Board of Governors. Corporation reserves the right to accept or reject any person for residency. Residents do not have the right to determine admissions or terms of admission of any other Resident.
- (d) **Entire Agreement.** This Agreement constitutes the entire agreement between Corporation and Resident relating to the subject matter hereof and supersedes all prior negotiations and agreements relative thereto. This Agreement may not be modified or amended except in writing signed by each of the parties. Corporation

shall not be liable or bound in any manner by any statements, representations or promises made by any person representing or assuming to represent Corporation, unless such statements, representations or promises are set forth in this Agreement.

- (e) **Waiver**. Any provision herein may be waived only in writing signed by the party or parties against whom or which enforcement of such waiver is sought. The failure of either party at any time to require the performance by the other party of any provision shall in no way affect the full right to require such performance at any time thereafter, nor shall the waiver by either party of a breach of any provision be taken or held to be a waiver of any succeeding breach of such provision or a waiver of the provision itself or a waiver of any other provision of this Agreement.
- (f) **Guardianship**. If the Resident becomes legally incompetent, or is unable to properly care for himself or herself or his or her property, and if the Resident has made no other designation of a person or legal entity to serve as his or her guardian, then the Resident hereby agrees that Corporation or its designee may initiate legal proceedings relating to Resident's competence and may act as Resident's legal guardian when qualified according to law. Resident agrees to pay to Corporation and its designee any attorneys' fees and other expenses incurred in connection with any such guardianship upon demand.
- (g) **Transfer of Property**. The Resident agrees not to make any gift or other transfer of property for less than adequate consideration for the purpose of evading the Resident's obligations under this Agreement or if such gift or transfer would render such Resident unable to meet such obligations.
- (h) **Attorney's Fees, Costs of Collection**. Resident acknowledges and agrees that he/she shall be obligated to reimburse Corporation for all costs associated with collection of any charges or fees due pursuant to this Agreement, including the cost of reasonable attorney's fees incurred by Corporation as allowed by applicable law.
- (i) **Savings Clause**. If any provision of this Agreement in any way contravenes the laws of any state or jurisdiction, such provision shall be deemed not to be a part of this Agreement in that jurisdiction and Resident agrees to remain bound by all remaining provisions. If any portion of this Agreement shall be deemed to be illegal or should it violate public policy, it is agreed that it shall be interpreted to be legally binding and enforceable to the maximum reasonable extent allowed by law.
- (j) **Survival**. The termination of this Agreement shall not affect the rights and remedies of Corporation and the obligations of Resident under this Agreement incurred prior to such termination, all of the foregoing shall survive such termination including but not limited to all payment obligations of Resident.
- (k) **Governing Law; Venue**. This Agreement shall be governed by the laws of the State of North Carolina. Resident agrees that venue for any legal action or proceeding

relating to this Agreement shall be solely in the state or federal courts sitting in Wake County, North Carolina, and Resident hereby knowingly and voluntarily submits to the jurisdiction of each such court in any such action or proceeding.

- (l) **Notices.** Any notices, consents, or other communications to Corporation (collectively “notices”) shall be in writing and addressed as follows:

Glenaire, Inc.  
Attn: President  
2109 Sandy Ridge Road  
Colfax, NC 27235

The address of Resident for purposes of giving notice is the address appearing after the signature of the Resident below prior to Resident taking occupancy of the Living Accommodation. Following occupancy, Resident’s notice address shall be the address of the Living Accommodation as set forth in Paragraph 1(a).

**[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year above written.

**GLENAIRE, INC.**

By: \_\_\_\_\_  
Executive Director

\_\_\_\_\_  
Witness

RESIDENT(S):

\_\_\_\_\_  
Print Name: \_\_\_\_\_ (Seal)

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Print Name: \_\_\_\_\_ (Seal)

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Current Address (Number and Street)

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
Telephone Number

# Exhibit D

THE PRESBYTERIAN HOMES, INC  
CONSOLIDATED BALANCE SHEET  
DECEMBER 31, 2021

## ASSETS

### CURRENT ASSETS:

|  |              |
|--|--------------|
| CASH & SHORT-TERM INVESTMENTS                          | \$16,374,839 |
| TRUSTEE HELD FUNDS REQUIRED FOR<br>CURRENT LIABILITIES | 1,061,729    |
| ACCOUNTS RECEIVABLE                                    | 4,343,901    |
| CAMPAIGN PLEDGES RECEIVABLE                            | 80,000       |
| REFUNDABLE SALES TAX                                   | 754,136      |
| INVENTORIES-OPERATING SUPPLIES                         | 113,326      |
| PREPAID EXPENSES                                       | 1,271,648    |
| DUE FROM OTHER DIVISIONS                               | 419,837      |

TOTAL CURRENT ASSETS 24,419,416

### OTHER ASSETS:

|   |                   |
|---|-------------------|
| RESERVES REQUIRED BY STATE STATUTE                              | 17,127,000        |
| TRUSTEE HELD FUNDS:<br>CONSTRUCTION, INTEREST & PRINCIPAL FUNDS | <u>47,286,502</u> |

TOTAL TRUSTEE HELD FUNDS 64,413,502

|                                  |             |
|----------------------------------|-------------|
| CASH-MEMBERS DEPOSITORY ACCOUNTS | 341         |
| INVESTMENTS                      | 142,704,256 |
| DEFERRED EXPENSES                | 2,405,168   |
| SWAP ASSET                       | -           |

TOTAL OTHER ASSETS 145,109,765

PROPERTY PLANT & EQUIPMENT 289,099,096

TOTAL ASSETS \$ 523,041,779

THE PRESBYTERIAN HOMES, INC  
CONSOLIDATED BALANCE SHEET  
DECEMBER 31, 2021

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES:

|   |                |
|---|----------------|
| CURRENT MATURITIES OF LONG-TERM DEBT        | \$ 9,388,655   |
| ACCOUNTS PAYABLE                            | 1,138,688      |
| ACCRUED PAYROLL                             | 1,159,386      |
| ACCRUED PERSONNEL COSTS<br>AND WITHHOLDINGS | 985,130        |
| ACCRUED INTEREST PAYABLE                    | 518,084        |
| DUE TO OTHER DIVISIONS                      | <u>424,899</u> |

|                           |                   |
|---------------------------|-------------------|
| TOTAL CURRENT LIABILITIES | <u>13,614,842</u> |
|---------------------------|-------------------|

LONG-TERM DEBT

|                |                    |
|----------------|--------------------|
| LONG-TERM DEBT | <u>212,820,416</u> |
|----------------|--------------------|

|                      |                    |
|----------------------|--------------------|
| TOTAL LONG-TERM DEBT | <u>212,820,416</u> |
|----------------------|--------------------|

DEFERRED REVENUE AND OTHER LIABILITIES:

|                             |                  |
|-----------------------------|------------------|
| REFUNDABLE ENTRY FEES       | 55,737,604       |
| NONREFUNDABLE ENTRY FEES    | 40,770,585       |
| MEMBERS DEPOSITORY ACCOUNTS | 341              |
| SWAP LIABILITY              | 5,016,999        |
| RESERVE PAL                 | <u>1,693,350</u> |

|  |                    |
|--|--------------------|
| TOTAL DEFERRED INCOME AND<br>OTHER LIABILITIES | <u>103,218,879</u> |
|--|--------------------|

FUND BALANCE:

|              |                    |
|--------------|--------------------|
| RESTRICTED   | 4,371,920          |
| UNRESTRICTED | <u>189,015,722</u> |

|                    |                    |
|--------------------|--------------------|
| TOTAL FUND BALANCE | <u>193,387,642</u> |
|--------------------|--------------------|

|                                       |                              |
|---------------------------------------|------------------------------|
| TOTAL LIABILITIES AND<br>FUND BALANCE | <u><u>\$ 523,041,779</u></u> |
|---------------------------------------|------------------------------|



THE PRESBYTERIAN HOMES, INC.  
STATEMENT OF REVENUE & EXPENSES  
FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2021

|  |                     |
|--|---------------------|
| REVENUE:   |                     |
| RESIDENT FEES, INCLUDING AMORTIZATION OF ENTRANCE FEES                         | 17,583,099          |
| FOOD SERVICE INCOME  | 79,930              |
| REIMBURSED MEDICAL   | 564,810             |
| GOLF COURSE  | 8,105               |
| OTHER  | 68,440              |
| TOTAL OPERATING REVENUE  | <u>18,304,384</u>   |
| EXPENSES:  |                     |
| ROUTINE SERVICES   | 4,906,056           |
| SPECIAL SERVICES   | 385,194             |
| DINING SERVICES  | 2,690,929           |
| ENVIRONMENTAL SERVICES   | 862,035             |
| MAINTENANCE  | 1,833,721           |
| PROJECT AND DEVELOPMENT  | 84,027              |
| MARKETING  | 370,924             |
| ADMINISTRATIVE   | 3,615,900           |
| DEPRECIATION AND OTHER CHARGES   | 2,592,783           |
| BOND AND NOTE INTEREST, AND AMORTIZATION                                       | 805,011             |
| PURCHASED MEDICAL SERVICES   | 607,711             |
| MISCELLANEOUS, NET   | 79,287              |
| MANAGEMENT SERVICES OFFICE EXPENSE, NET  | (393,709)           |
| GOLF COURSE AND GROUNDS  | 266,200             |
| TOTAL OPERATING EXPENSES   | <u>18,706,069</u>   |
| OPERATING INCOME (LOSS)  | <u>(401,685)</u>    |
| NONOPERATING REVENUE (EXPENSES)  |                     |
| CONTRIBUTIONS  | 355,879             |
| NET REALIZED INVESTMENT INCOME   | 5,583,869           |
| NET UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS                      | 1,379,361           |
| CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS                                    | -                   |
| OTHER, NET   | 17,252              |
| TOTAL NONOPERATING REVENUE (EXPENSE)   | <u>7,336,361</u>    |
| EXCESS (DEFICIT) OF REVENUE OVER EXPENSES<br>AND NONOPERATING INCOME (EXPENSE) | <u>\$ 6,934,676</u> |

THE PRESBYTERIAN HOMES, INC  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2021

|  |                             |
|--|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES   |                             |
| CHANGE IN NET ASSETS   | \$ 6,934,676                |
| ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO<br>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: |                             |
| ADVANCE FEES RECEIVED, NET OF REFUNDS  | 2,607,335                   |
| AMORTIZATION OF ENTRANCE FEES  | (2,460,753)                 |
| DEPRECIATION AND AMORTIZATION  | 2,407,752                   |
| CHANGE IN FAIR VALUE OF INTEREST RATE SWAP AGREEMENT   | -                           |
| UNREALIZED GAINS (LOSSES) ON INVESTMENTS   | 1,379,361                   |
| NET REALIZED GAINS (LOSSES) ON INVESTMENTS AND INVESTMENT INCOME   | 5,583,869                   |
| CHANGES IN WORKING CAPITAL COMPONENTS:   |                             |
| (INCREASE) DECREASE IN:  |                             |
| TRADE AND OTHER RECEIVABLES  | (1,469,618)                 |
| OTHER ASSETS   | (386,552)                   |
| DUE TO (FROM) OTHER DIVISIONS  | 5,062                       |
| INCREASE (DECREASE) IN ACCOUNTS PAYABLE AND<br>ACCRUED EXPENSES  | <u>(6,126,506)</u>          |
| <b>NET CASH PROVIDED BY (USED IN)<br/>OPERATING ACTIVITIES</b>   | <u>1,539,950</u>            |
| <br>CASH FLOWS FROM INVESTING ACTIVITIES   |                             |
| PURCHASES OF PROPERTY AND EQUIPMENT  | (17,161,091)                |
| PAYMENTS ON ISSUANCE COSTS   | 233,778                     |
| PROCEEDS FROM (PURCHASES OF) INVESTMENTS   | <u>5,606,169</u>            |
| <b>NET CASH PROVIDED BY (USED IN)<br/>INVESTING ACTIVITIES</b>   | <u>(11,321,144)</u>         |
| <br>CASH FLOWS FROM FINANCING ACTIVITIES   |                             |
| NET, PRINCIPAL RECEIPTS (PAYMENTS) ON LONG-TERM BORROWINGS   | (2,493,101)                 |
| <b>NET CASH PROVIDED BY (USED IN)<br/>FINANCING ACTIVITIES</b>   | <u>(2,493,101)</u>          |
| <b>NET INCREASE (DECREASE) IN CASH<br/>AND CASH EQUIVALENTS</b>  | <u>(12,274,295)</u>         |
| <br>CASH AND CASH EQUIVALENTS:   |                             |
| BEGINNING  | <u>21,714,458</u>           |
| ENDING   | <u><u>\$ 16,374,839</u></u> |

## THE PRESBYTERIAN HOMES, INC.

### Non-Conflict of Interest Statement

Except with the prior approval of the Board of Governors of The Presbyterian Homes, Inc., no Trustee or Director of an operating division or affiliate of The Presbyterian Homes, Inc. or a member of the Board of Governors of The Presbyterian Homes, Inc. shall perform for any personal gain or remuneration services for The Presbyterian Homes, Inc. or any of its operating divisions or affiliates, directly or indirectly, as a principal, employee, consultant or in any other capacity which promises compensation of any kind.

Except with the prior approval of the Board of Governors of The Presbyterian Homes, Inc., no Trustee or Director of an operating division or affiliate of The Presbyterian Homes, Inc. or a member of the Board of Governors of The Presbyterian Homes, Inc. shall have any beneficial interest in or substantial obligation to any supplier of goods and services to The Presbyterian Homes, Inc. or any of its operating divisions or affiliates.

Except with the prior approval of the Board of Governors of The Presbyterian Homes, Inc., no Trustee or Director of an operating division or affiliate of The Presbyterian Homes, Inc. or, Trustee or Director of The Presbyterian Homes, Inc. shall accept any gift, entertainment, service, loan or promise of future benefit its from any persons who may either personally or whose employees might benefit or appear to benefit it from such Board of Trustees or Board of Governors connection with The Presbyterian Homes, Inc. or any of its operating divisions or affiliates.

This policy statement is not intended to apply to gifts and/or similar entertainment clearly of nominal value that are unquestionably in keeping with good business ethics and do not obligate the recipient.

Any matter or question of interpretation that arises relating to this policy shall be referred to the Board of Governors of The Presbyterian Homes, Inc. for a decision. Prior to obtaining the approval of the Board of Governors of The Presbyterian Homes, Inc. of a matter described herein, full disclosure of all particulars relating to the matter under consideration shall be made. All parties interested in the matter under consideration shall not participate in or be present during the deliberations of the Board of Governors concerning the matter under consideration, and shall abstain from voting on such matter.

I have read the foregoing non-conflict of interest statement and agree to abide by it.

Print Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

# **THE PRESBYTERIAN HOMES, INC.**

## **Policy of the Board of Governors Regarding Decision Making, Ethics and Conflicts of Interest**

### **Decision Making**

- Board members should respect the orderly process by which recommendations for discussion and action flow from established committees to the Executive Committee for review and referral, as deemed appropriate, to the Board;
- Board members should, in turn, direct information coming to them and their own initiatives to either the President for immediate action or to the proper committees for consideration;
- Board members should keep in mind at all times the fiduciary nature of their roles and the obligations to treat all matters of Board business with discretion and confidence;
- Board members should endeavor to make policy decisions only after being fully informed and after discussion and debate has occurred;
- Board members should never surrender independent judgment to that of other individuals or special interest groups;
- Board members should focus on policy issues alone, refraining from delving into operational matters entrusted to the President and the management team;

### **Ethics**

- Board members should ensure that their own decisions and actions and those of The Presbyterian Homes, Inc. are consistent at all times with the highest principles of ethical conduct; this includes the obligation to report instances of perceived misconduct or otherwise unethical or illegal conduct.;

### **Conflicts of Interest**

- Board members should indicate annually by their signature that they are personally in compliance with non-conflict of interest principles and practices;

- Board members should avoid being placed in positions of conflict of interest, yet whenever the potential for such occurs, actual or perceived, it should be disclosed and resolved;
- Board members should seek guidance from other Board members in regard to potential or self-perceived conflicts of interest;
- Board members should never use their position for personal gain or benefit.

### **Orientation**

- Board members will take part in the orientation process after which time said individual has been nominated and approved by trustees. The President will provide the orientation to include but not be limited to: introduction to The Presbyterian Homes, Inc., the four communities it manages, by-laws, mission, PHI and the retirement communities foundations, financials and staff.

### **Education**

- Board members will take part in annual educational sessions to ensure members are made aware of the current industry trends, opportunities and challenges.

### **Exit Surveys**

- Board members will be provided with exit interview survey upon completion of their term to evaluate Board effectiveness, efficiency and processes.